MARK'S WORK WEARHOUSE LTD.

Windows Of Opportunity

Annual Report for the year ended January 30, 1999

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MARK'S WORK WEARHOUSE LTD.

Retailing is a business of change, and successful retailers thrive on meeting the challenge of serving the shifting needs of consumers. This environment of change is the source of our challenge and stimulates our interest, fires our passion, and creates our opportunities. We believe that we have the vision to recognize these opportunities, the resources to seize them, and the energy to turn them into bottom-line value. The potential of expanding markets, new concepts, and fresh ideas is clearly in sight.

ANNUAL REPORT FOR THE YEAR ENDED JANUARY 30, 1999

Windows of Opportunity

The theme of this year's annual report is "Windows of Opportunity", and it is a theme that was chosen because the Company has positioned itself to take advantage of opportunities that Canadian customers are presenting. Despite some bad news stories, especially in the traditional department store sector, our industry in total continues to grow. The Statistics Canada reports for calendar 1998 show that total retail sales in Canada grew to $247.5 billion, an increase of 4.3% over calendar 1997. We interpret these "big picture" numbers to indicate that consumer spending continues to be ahead of inflation, and that there is business to be done. These consumer spending numbers are stronger in the U.S. where the economic and unemployment numbers are better, but they are not unhealthy for our country in total. There are, however, some geographic pockets of difficulty, particularly in the west.

When you break down these numbers across different sectors, it is clear that there are shifts in consumer preference relative to the types of products being purchased, as well as to the preferred locations from which consumers make these purchases. For example, within the apparel sector, the trend towards casual dressing continues to dominate, but there are shifts within that trend. Specifically, there is less emphasis on denim and more on khaki fabrics and the associated products that go with that look. In addition, more square footage has been developed in discount and value-related price points, and more business is being done by retailers who operate in that area. Strong growth has also been reported by some apparel retailers whose primary characteristics are more related to style correctness than price.

In summary, within our sector, well-styled apparel and footwear representing good value for money in terms of quality and function are the defining characteristics of success. Our Company is well-positioned in each of our divisions to deliver on those characteristics, and in this report we will describe how we intend to open up these windows of opportunity.

We have also learned some lessons from the year just past. We do want to retain our characteristic as cold weather specialists; however, we plan to mitigate the risk of our dependence on this very seasonal business by adjusting our balance of sale. This will be achieved by investing more in both merchandise and shelf space in non-weather dependent commodities. In addition, in both the Mark's and Work World Divisions we have been pleased with the results we have achieved by having more frequent deliveries of newer, more current merchandise, and we intend to accelerate this process.

MISSION STATEMENT

Our mission is to grow consistently as a mature and stable enterprise known for:

- being the most customer-sensitive and responsive specialty retail organization in the markets within which we operate
- having a people-oriented work environment where our people are allowed the greatest possible freedom to carry out their responsibilities, take ownership of what they do, have fun, learn and earn fair financial rewards
- providing a superior financial return to investors as a result of being customer-driven and people-oriented

Consolidated Financial Highlights

Summary

This summary provides a brief overview of our Company's progress in fiscal '99. You will find a comprehensive review of operations and complete financial information in the balance of this Annual Report.

FISCAL '99 HIGHLIGHTS

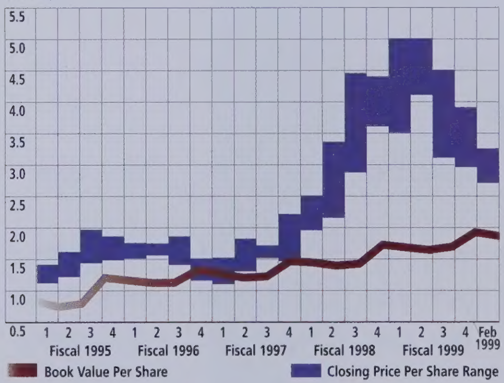
- During the year, the Company revised its original forecasted earnings range of 28 to 34 cents per Common Share to 20 to 26 cents per Common Share in response to softer than planned sales in the second half. The previous year's earnings were 24 cents per Common Share
- Earnings came in at 21 cents per Common Share, which included a 6 cent per Common Share write-off to shut down our U.S. stores. This write-off was not contemplated in either the original forecast or the revised one, and was decided upon after the completion of the December business. Earnings from comparable operations were 27 cents per Common Share compared to 24 cents per Common Share one year ago
- EBITDA for the Mark's Canadian operations increased to $26 million from $23 million, a 13% increase
- Total Company sales grew by about 4%, the same as total retail sales in Canada. Corporate store sales grew by 12%, or $31 million
- An information technology driven automatic replenishment system was implemented in the Mark's Division, improving the process for about one third of the business
- Our Y2K internal compliance program was completed on schedule and on budget
- The Company completed arrangements with Levi Strauss for the rights to develop product for and open Dockers® stores in Canada. This new division will open four or five test stores in the fall of 1999
- In order to finance its growing business, the Company was successful in obtaining various credit facilities totalling $80 million from a syndication of Canadian banks
- For the second year in a row in all categories, the Company was honoured to have been awarded The National Post "Award of Excellence" for the best Annual Report in Canada, the merchandising category Gold Medal, and the Investor Relations Magazine "Grand Prix" award for the best Investor Relations for companies with a market cap less than $1 billion
- The growth strategy for the Work World Division was changed from a franchise to a corporate-owned store strategy, and the number of corporate stores increased dramatically with nine new corporate store openings and 31 franchise buy-backs

Quarterly Financial Information

(dollar amounts in thousands, except per share)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
FISCAL 1999					
Corporate and franchise sales	$73,292	$79,419	$101,697	$ 163,060	$417,468
Corporate sales	$48,419	$51,686	$ 67,336	$ 115,960	$283,401
Pre-tax earnings (loss) before provision for closure of U.S. pilot stores	$ (1,672)	$ (2,011)	$ 2,031	$ 15,609	$ 13,957
Pre-tax earnings (loss)	$ (1,672)	$ (2,011)	$ 2,031	$ 12,648	$ 10,996
Net earnings (loss)	$ (1,131)	$ (1,122)	$ 1,025	$ 6,980	$ 5,752
Earnings (loss) per Common Share	(4)¢	(4)¢	4¢	25¢	21¢
FISCAL 1998					
Corporate and franchise sales	$65,024	$76,740	$100,261	$ 160,182	$402,207
Corporate sales	$39,332	$47,270	$ 63,019	$ 102,395	$252,016
Pre-tax earnings (loss)	$ (2,433)	$ (2,004)	$ 1,681	$ 15,160	$ 12,404
Net earnings (loss)	$ (1,516)	$ (1,212)	$ 835	$ 8,444	$ 6,551
Earnings (loss) per Common Share	(6)¢	(4)¢	3¢	31¢	24¢
FISCAL 1997					
Corporate and franchise sales	$46,051	$53,438	$ 66,187	$138,080	$303,756
Corporate sales	$35,932	$41,915	$ 51,683	$ 91,372	$220,902
Pre-tax earnings (loss)	$ (2,156)	$ (2,230)	$ 303	$ 12,393	$ 8,310
Net earnings (loss)	$ (1,480)	$ (1,318)	$ 8	$ 6,713	$ 3,923
Earnings (loss) per Common Share	(6)¢	(5)¢	0¢	27¢	16¢

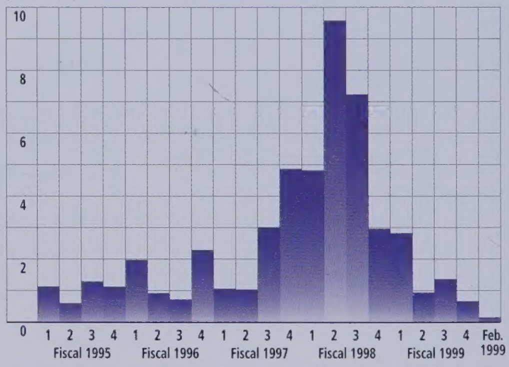
MARKET VALUE BY QUARTER

(dollars)



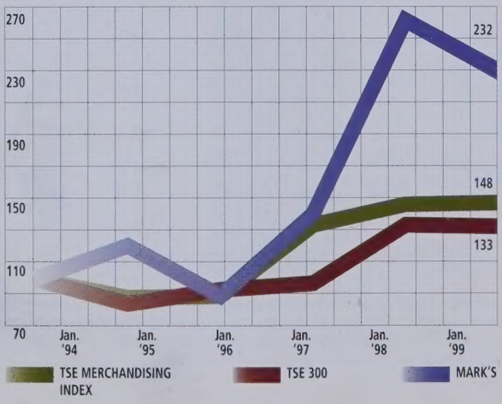
VOLUMES OF SHARES TRADED

(thousands)



5-YEAR SHARE PERFORMANCE

(based on a base of 100)



A Window on Our Divisional Opportunities

OUR ORGANIZATION

As a result of our growth, and the increasing range of our opportunities, we have become a much more complex organization than we previously were. The Company is now organized into three distinct divisions servicing different target markets and having different business formulas. Each division is divided into two operational areas: front-line and back-line operations. Front-line operations represent those activities where the Company's people come face to face with customers. Front-line operations are conducted through geographic areas called districts, that, in turn, form major regions. Creating these smaller operations places more of the Company's management in direct contact with our customers which enables the Company to be more sensitive and responsive to local market needs. Back-line operations are those that do not come face to face with customers but support our employees as they work in the stores.

With our new divisional structure, there are now two types of back-line operations. Firstly, there are "divisional" back-line operations under the direction of the divisional Chief Operating Officer (COO), covering such areas as purchasing, merchandise management, marketing and operations management. Secondly, there are "corporate services" back-line operations that provide such services as customer service and human resource support, store construction and design, real estate services, warehouse/distribution, systems, finance and accounting and the office of the President and CEO.

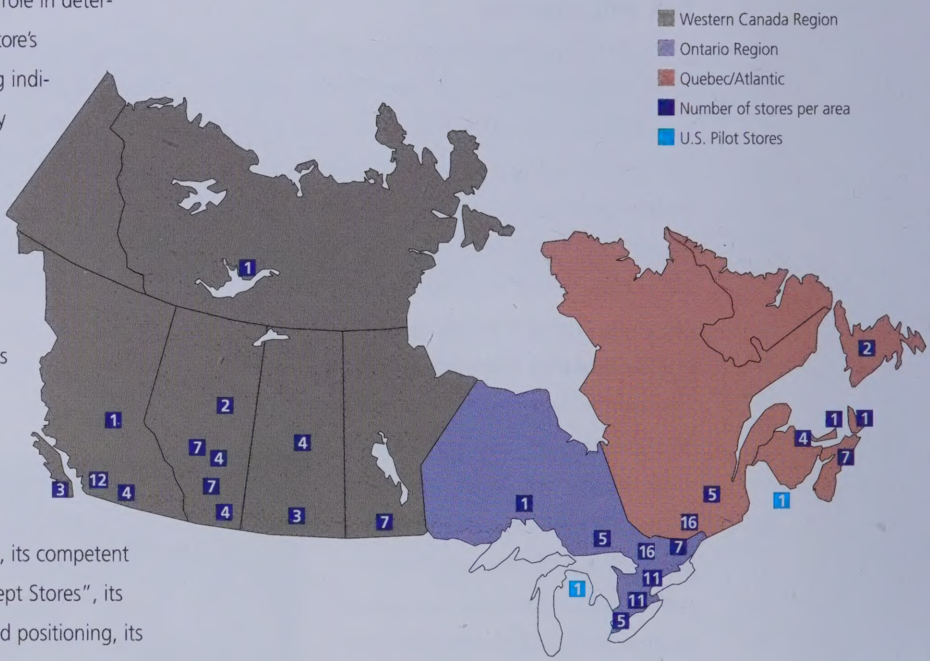
This structure will allow the Company to add divisions either through acquisition or the internal development of new formats in such a way that each division can target its own market niche with its own store concept, purchasing, operations and marketing structures while getting uniform back-line services from a corporate services group. One of the key responsibilities of the back-line services group will be to ensure each division adheres to the Company's corporate value system.

MARK'S DIVISION

In the Mark's Work Wearhouse and L'Équipeur stores, the Company is focused on providing apparel and footwear to customers who typically do not wear a suit and tie to work. In addition, this division's merchandise is suitable for those customers who have needs for casual and outdoor clothing and footwear. This division's assortments are a blend of quality name brand, private label, and captive label products, fairly priced, and presented in large, fully stocked, and easily shopped destination stores.

In addition to serving its customers, this division's friendly staff have the technology and capability to enable them to play a significant role in determining and maintaining their own store's assortments, thereby better satisfying individual market requirements. Seventy percent of this division's customers are between the ages of 25 and 60, with an equal blend of trades/blue collar, sales/administration/service, and professional vocations. Half of this division's sales are made to women, and of those purchases half again are made to women purchasing for themselves.

The strengths of the Mark's Division are its broad customer base, its competent and caring sales staff, its "On Concept Stores", its private label products, its mega-trend positioning, its divisional management and the back-line support it can draw upon from the Company's corporate services group for technology, human resource administration, store construction and design, finance and accounting administration and strategic direction.



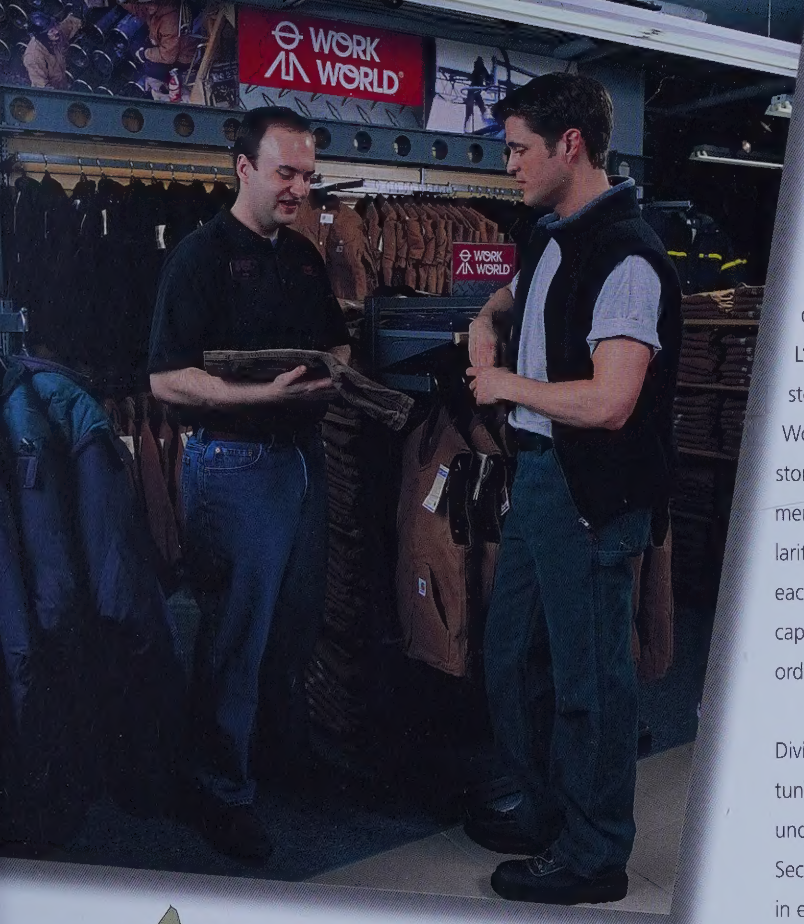
The following chart shows how this division breaks down into districts:

	Regions	Districts	Corporate Stores	Franchise Stores	Total Stores
MARK'S WORK WEARHOUSE	Western Canada	7	48	11	59
	Ontario	8	47	9	56
	Quebec/Atlantic*	5	27	9	36
	U.S. Pilot Stores**	1	2	0	2
TOTAL		21	124	29	153

* Mark's 18 corporate and 3 franchise stores in Quebec operate under the name L'Équipeur.

** On February 18, 1999, the Company announced that during fiscal 2000, it was closing its two pilot stores in the U.S. See Notes 16 and 20A to the Consolidated Financial Statements.

The Company practises an efficient system of accountability, whereby store staff report to a Store Operator, who reports to a District Manager, who reports to a Regional General Manager, who reports to the divisional COO, who in turn reports to the Company CEO. A divisional Merchandising Senior Vice-President and Marketing Manager also report to the divisional COO.



WORK WORLD DIVISION

The Work World stores serve an end-use customer with similar requirements to the customers of the Mark's Division previously described. However, while the Mark's and L'Équipeur stores are typically 12,000-square foot stores in destination locations in large markets, the Work World stores are typically 3,000-square foot stores in mall locations in smaller markets. The merchandise content in each division has some similarities, with some national brand duplication, but each division has its own distinctive private and captive label programs and marketing programs in order to satisfy their specific customers appropriately.

The opportunity provided by the Work World Division comes in two parts. Firstly, there is an opportunity for at least 100 more stores, as the division is under-represented outside of western Canada. Secondly, there is an opportunity to increase the sales in existing stores through physical improvements to the stores and by increasing and improving on the assortments. A similar strategy of improvement and growth has been successfully implemented in the Mark's Division, and to date the results of the Work World stores that have been impacted are very encouraging.

The following chart shows how this division breaks down into districts:

	Regions	Districts	Corporate Stores	Franchise Stores	Total Stores
WORK WORLD	British Columbia, Yukon & Northwest Territories	5	24	38	62
	Prairies	3	8	40	48
	Western Canada	8	32	78	110
	Ontario	3	7	20	27
	Atlantic	1	2	7	9
TOTAL		12	41	105	146

DOCKERS® DIVISION

The Dockers® stores will enhance and expand upon the existing positioning of the very successful Dockers® brand as a high-image, superior-quality, internationally recognized casual apparel merchandise collection targeted to urban customers. The stores, with an equal blend of men's and women's products, will offer consumers fashionable collections of merchandise in tops, bottoms, outerwear, footwear, and accessories. The merchandise content will serve the needs of customers for casual, dress casual, and sport casual occasions. The test stores will be between 3,000 and 4,000 square feet, and will be located in major malls.

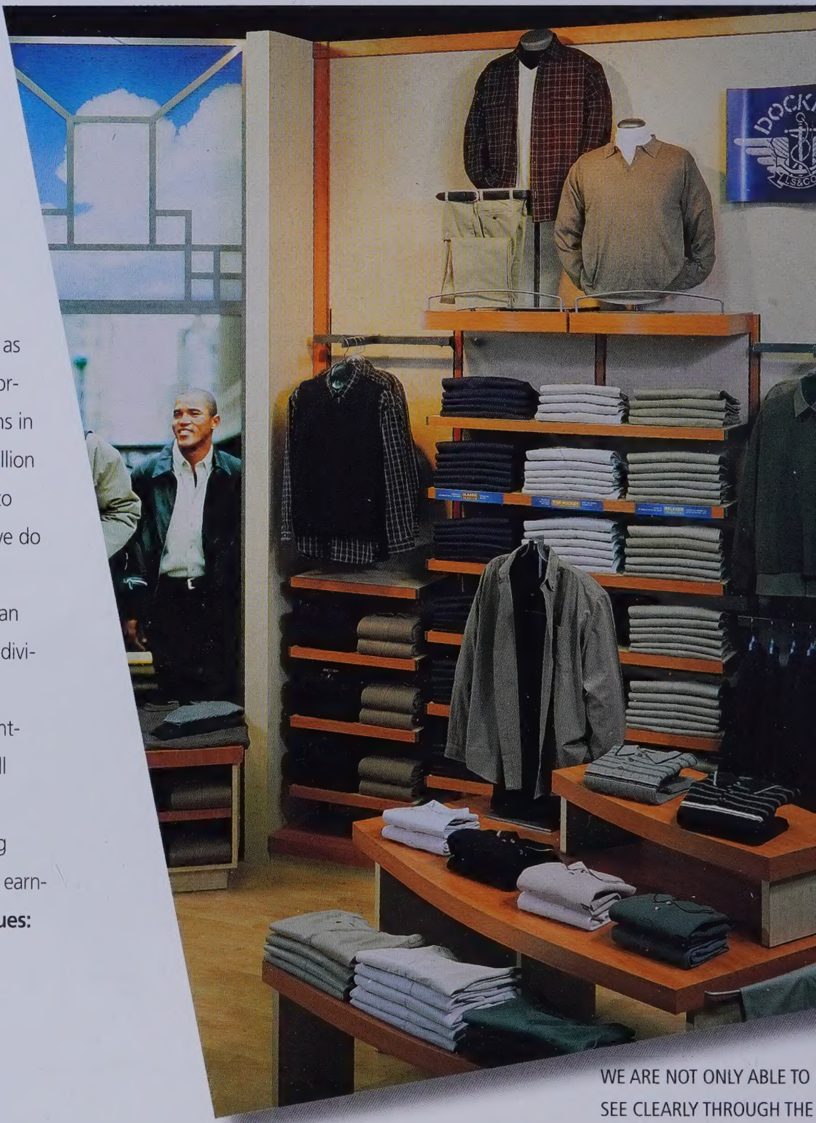
After the completion of a successful test phase, the opportunity provided by the Dockers® Division is to grow the number of stores as rapidly as possible. We currently believe that there is an opportunity for at least 100 and as many as 150 locations in Canada, or a sales volume opportunity of $200 million to $300 million, and the Company has the ability to achieve that inside a five-year horizon. Although we do not have any agreements in place to extend this concept beyond Canada, we do believe that such an opportunity could present itself assuming that the division is successful.

This division will also be structured into front-line districts, divisional back-line operations and will draw on corporate back-line services.

All three divisions will be focused on creating **shareholder value** through growing revenues and earnings, while honoring the Company's three **core values:**

- Respect of people;
- Product integrity; and
- Continuous improvement

ADDING OUR OWN PROVEN CORE VALUES TO THE ALREADY SUCCESSFUL DOCKERS® LINE OF CASUAL BUSINESS APPAREL, MARK'S WORK WEARHOUSE PROVES THAT



WE ARE NOT ONLY ABLE TO SEE CLEARLY THROUGH THE RIGHT WINDOWS OF OPPORTUNITY, WE ARE ABLE TO MAKE THEM WHATEVER SIZE WE THINK WILL BE THE RIGHT FIT.

President's Letter to Shareholders: Defined Opportunity for Growth

For most retailers, ourselves included, 1998 was a year of contrasts. At the beginning of the year, our business was very strong, and the overall mood of consumers in Canada was generally buoyant and optimistic. As the year unfolded, this changed. At the halfway mark, we were right on our sales and profit plans, but we could see some signs of weakening consumer confidence. This accelerated in the third quarter as a result of concerns over Asian economic woes, the decline of the Canadian dollar, difficulties in the resource industries, and the poor performance of the equity markets. In our own sector, we were hit in our most important fourth quarter with both a softer retail environment and an unseasonably mild winter.

MARK'S WORK WEARHOUSE LTD. ANTICIPATES TRENDS AND POSITIONS ITSELF TO BETTER SERVE ITS CUSTOMERS WITH THREE DIVISIONS SPANNING THE DIVERSITY OF CANADIAN GEOGRAPHY AND CONSUMER TASTE.

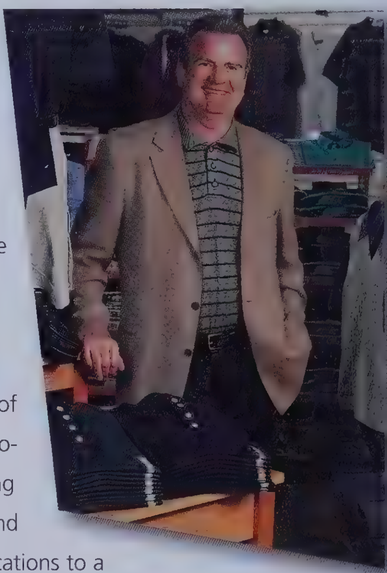
Proudly, we are Canada's cold weather experts, but in 1998 that was not as important to our customers as it normally is. The consequence of all of this was that sales in the second half were disappointing, with most of the sales shortfall to our plans traceable to specific winter-related styles and to those areas of western Canada where the local economies were the weakest.

It is a credit to our organizational culture and ability that we did anticipate and respond well. Beginning in the third quarter, we were able to manage both our open-to-buy and our variable expenses, thereby preserving our bottom line. In fact, from continuing operations, our earnings were the highest in our history, and even though we missed our targets we do take some consolation in the fact that we made the right adjustments when the game changed.

In the Mark's Division, one of the highlights of the year was holding on to our gross margin rate despite a sales shortfall to our plans. This was a real victory, and a hard-fought one, achieved thanks to the efforts of the buying office and the stores working together to make it happen. Relative to last year, Canadian corporate and franchise business in total in this division was up 7% in the industrial apparel and footwear departments, up 10% in the casual apparel and footwear departments, flat in the winter-related categories, and flat in the denim business.

We did have opportunities to exploit some of our businesses, and we are pleased with the success that we had in the areas we focused on. Specifically, our corporate store casual pant business was up 34% and our corporate store women's apparel business was up 24%. We still have considerable opportunity to grow in both of these areas and we will continue to plan aggressive sales increases in them, as well as in casual footwear, in the future.

During the course of the year, we developed a significant philosophical shift in thinking in terms of how we wanted to operate the Work World Division. When we bought this division, all of the stores were franchised, and we initially thought that we would continue with that structure. We have since come to believe that our business opportunity can be better maximized with a corporate store structure, and by year end, 28% of the Work World stores were corporate. This was achieved by opening new stores as corporate stores, and by repatriating some franchise locations to a corporate store format. The past two years have been spent repositioning this division to better meet the needs of its customers by improving the merchandise assortments, the physical appearance of the stores, operations, the information systems and the marketing strategies. To date, we have impacted 22 locations, and in total, those locations have delivered a 23% sales increase, which is the reason for our positive attitude and our optimistic view of the future. We have a good working relationship with the majority of our existing franchisees and many are eager to convert their stores to the new prototype because of the proven success of those who have already done so. This division now has 146 stores,



GARTH MITCHELL, PRESIDENT AND CHIEF EXECUTIVE OFFICER

with a potential of 250, and we will spend most of our future capital opening new corporate stores rather than buying back existing locations. Our expectation is that this division will make a more significant contribution to our earnings in the future as we get more of the existing stores converted to prototype and as we open new stores in Ontario and eastern Canada to better balance our locations across the country.

We opened our second store in the U.S. during this past year in what proved to be the last phase of our test. We have now made the decision to close the stores and have included the costs of exiting the U.S. market in the past year's results. When we first announced our intention to test the U.S. market, we had already concluded appropriate market research and had evaluated our potential opportunities there; however, it was prior to our acquisition of Work World and also prior to our opportunity for Dockers® stores. We had declared from the outset that we had to go and be ourselves, as we really didn't know how to be anything else, and that we would return home if in fact that was not what the U.S. consumers wanted. We were making progress in Grand Rapids, Michigan but it was slow, and the new location in Portland, Maine got off to an equally slow start. We believe that it is more important to focus the energy of our organization on the opportunities that we have in both the Work World and Dockers® Divisions, and have therefore decided to end the U.S. test. Without these other opportunities, we certainly would have kept at it.

A retail analyst has described our Dockers® opportunity as "a marriage made in heaven." The Dockers® brand is the most visible casual apparel brand in the world, and due to limited distribution it enjoys a market share in Canada that is considerably less than in the U.S. Our opportunity is to showcase this brand in a store environment and with a merchandise assortment that will be much larger than the current department store offerings. We will open four or five stores this fall, including three or four in Ontario and one in Alberta. Completion of a successful test phase will offer up the possibility of a 100-to 150-store chain in Canada.

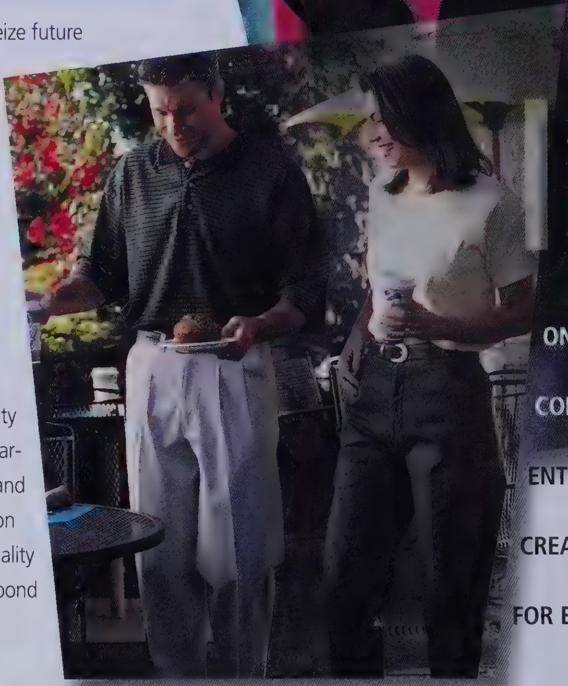
Looking to the future, our Windows of Opportunity are clear. We anticipate continued improvements to our earnings from our Mark's stores, which is our strongest division. By this time next year we anticipate a bigger contribution from the Work World Division, we will have seen the initial customer reaction to our Dockers® stores and on the back cover of this report, check out our latest Window of Opportunity. www.marks.com is now open for business.

Garth Mitchell

Garth Mitchell
President and Chief Executive Officer

Human Resources

Management and Performance: The Way to Success is Clear



Our people are key to our ability to seize future opportunities, and develop and maintain our competitive edge.

The Company's people are responsible for building strong internal and external business relationships. Given the recent growth in the size and complexity of the Company, our human resource leaders must now pay special attention to building new competencies required to refine and extend these traditional relationships. These relationships are central to our sustained ability to compete. When these relationships are characterized by mutual trust and shared values and ambitions, they enable us to take timely action and allow us to quickly develop new high-quality products, bring them to the market, and respond to customers' needs.

This year we have adopted strategic human resource leadership goals designed to increase human resources' productivity, efficiency and adaptability in response to the unique needs of each line of business. Fundamental to this action are the following beliefs:

- strong shared values, ambition and a mindset of success are essential accompaniments to a promising portfolio of business strategies for each business division
- human resources' leadership and its development of organizational capabilities are key components of success
- communication of the Company mission statement and daily implementation of its values is a requirement for continued success
- ambitious goals and expectations within a context of positive leadership allow competent people to produce good work and continue to grow

The bottom line of human resource strategy must be the development of our human capital to enable the enterprise to become more competitive, operate at maximum effectiveness and successfully execute business strategies. In tandem with this, we will ensure that the people working in our Company have opportunities to experience satisfying work, grow their skills and realize their personal goals. We understand that keeping the 'human' in human resource leadership is critical to our continued business success. We also recognize that we must continuously and energetically sharpen our competitive edge.

At Mark's Work Wearhouse, we work hard to maintain a work environment where employees feel truly connected to each other and to our corporate culture. Employees enthusiastically accept our invitation to make a commitment to the Company because they know that in the pursuit of organizational goals, their personal needs will be addressed and fulfilled.

CODE OF CORPORATE CONDUCT

At Mark's Work Wearhouse, we believe that one of the most important aspects to maintaining a corporate culture characterized by motivation, entrepreneurship and adaptability is a clear and

> THE MARK'S WORK WEARHOUSE LIFESTYLE EXTENDS FAR BEYOND WHAT OUR CUSTOMERS SEE IN OUR STORES AND ON OUR SHELVES. OUR COMMITMENT TO ENTREPRENEURSHIP AND THE CREATION OF A NEW GOAL FOR EACH ONE SUCCESSFULLY ACHIEVED PERVADES EVERY LEVEL OF OUR COMPANY.

consistent model of corporate conduct. The Mark's Work Wearhouse code of corporate conduct is the foundation upon which our corporate culture, as expressed through our human resources practice, is built. The careful fostering of this code in each employee, one at a time, ensures that the Company conducts itself in a fair, honest and ethical manner. Within the Company as a whole, each individual employee is given the opportunity to express his or her ideas to improve operations, and is rewarded for their contributions to our short- and long-term objectives.

As well, at Mark's Work Wearhouse, we have developed what we consider to be a unique, flexible and highly responsive performance-based Human Resources Management system, designed to encourage individuals to set and meet personal goals and objectives that fit within corporate results, as follows:

PERFORMANCE CONTRACTING

All of the Company's middle and upper management are evaluated through a Performance Contracting process. Individual achievements in the following two areas are directly tied to managers' current and future compensation:

Business Objective

- Each year, all middle and upper managers negotiate and sign off their own personal business objectives which are directly tied to the Company's operating budgets. Individual performance is then measured on meeting these personalized business objectives.

Key Results

- Middle and upper management are also encouraged to exceed their individual business objectives. On an annual basis, each manager negotiates up to three business activities they will undertake that will both support and exceed their business objectives. If the individual achieves their Key Results, they are rewarded for their success; however, they are not penalized for failing to achieve these benchmarks. We believe that these Key Results encourage our managers to "take a leap of faith" and reward excellence in individual effort.

In addition to encouraging our management team to reach their individual potential, we also have developed a system of internal training programs and external courses that will help all employees develop new skills and talents. The **College of Retail Excellence** fosters and supports employees as they learn to maximize their contributions to the Company by meeting the changing needs and expectations of our customers.

The imagination and vision of our people continues to be one of the major contributors to the success of the Company as a whole. Our core values of respect, integrity, flexibility and accountability are the driving force behind our ability to maintain a unified and immediately recognizable corporate personality across the country and within our two major divisions. With the proven success of our "On Concept" store strategy in Mark's, our increasingly optimistic outlook for our Work World Division and the virtually limitless possibilities to grow the Dockers® Division, we are looking towards a future ripe with possibility. We know, however, that the achievements we fully expect will not be accomplished unless we continue to attract and retain the best employees, learn as we grow and strive for excellence in everything that we do.

Senior Management Performance

Senior Officer	Business Objective Fiscal 1999	Business Objective Result Fiscal 1999
Garth Mitchell President and CEO	To produce pre-tax profit of $17.9 million or greater	After a $3.0 million provision to close the U.S. pilot stores, a pre-tax profit of $11.0 million was achieved
Michael Lambert Chief Financial Officer	To ensure that total expenses for the Mark's Canadian operation do not exceed the sum of $20.3 million of back-line expenses plus 28.8% of Mark's Canada actual corporate stores sales for Mark's Canada front-line expenses	Total expenses in the Mark's Canadian operation were $97.1 million (compared to the target of $94.8 million) comprising back-line expenses of $17.8 million and front-line expenses at 29.7% of corporate stores sales
Paul Wilson Chief Operating Officer, Mark's Division	To deliver a net front-line contribution of $38.8 million from the Mark's Canadian retail operation	Canadian retail operations delivered a net front-line contribution $33.2 million
Rick Harrison Sr. VP, Merchandising, Mark's Division	To generate $118.2 million in gross margin dollars and an inventory turnover rate of 2.3 turns in the Mark's Canadian retail operation	The Mark's Canadian retail operation's gross margin dollars were $108.5 million and the inventory turnover rate was 1.9 turns
Colin Laker Chief Operating Officer Work World Division	To deliver an operating pre-tax profit of $0.7 million or better in the Work World Division	The Work World Division delivered a pre-tax loss of $0.3 million
Richard MacMillan Vice-President, Merchandising, Work World Division	To deliver an operating pre-tax profit of $0.7 million or better in the Work World Division	The Work World Division delivered a pre-tax loss of $0.3 million
John Murphy Sr. VP, Treasurer & Secretary	To maintain a 12-month rolling funded debt-to-equity ratio below .90-to-1 while obtaining $7.0 million of new term debt, equity or capital lease financing	The 12-month rolling funded debt-to-equity ratio came in at .92-to-1 and $17.8 million of new term debt, equity or capital lease financing was obtained
Robin Lynas Chief Information Officer	To maintain and operate all Company computer systems and develop and deliver the 16 projects agreed upon by the Systems Steering Committee within the department's operating budget of $5.2 million and capital expenditures budget of $1.8 million	Sixteen projects were delivered and the department operated at a cost of $5.1 million. The department spent $2.8 million on capital expenditures of which $1.0 million was authorized after the sign-off date of the business objective
Kirk Marleau Vice-President, Real Estate	To sell 10 new Work World franchises in fiscal '99	No new Work World franchises were sold in fiscal `99 as the division moved to a "Corporate Store" strategy and the focus changed to locating corporate store sites
Linda Mathiesen VP, Human Resources and Customer Service	To improve Mark's Canada's total sales dollars per full-time equivalent (front-line and back-line staff combined) from $230,000 in fiscal '98 to $243,000 in fiscal '99	Mark's Canada's sales dollars achieved was $229,000 per full-time equivalent (front-line and back-line staff combined)
Michel St. Jean VP, Store Design	Deliver new, relocated and refurbished Mark's Division stores at a gross cost of $40 per square foot or less	Delivered 16 Mark's Division corporate stores at an average gross cost of $39.93 per square foot

Business Objective Fiscal 2000	Fiscal 2000 Key Results and Fiscal 1999 Key Results Achieved
To produce pre-tax profit of $17.7 million or greater	■ To increase share value to $5.00 per share by March 1, 2000 ■ To direct the Dockers® test to sales of $6.0 million and a break-even bottom line, prior to charges for back-line corporate services ■ The fiscal 1999 Key Result was not achieved
During fiscal 2000 to engineer a major transaction or series of transactions that cause the Company's share price to increase by 30% and remain at that level 30 days after the announcement date	■ Raise $20.0 million of new debt or equity during fiscal 2000 to fund the Company's expansion in fiscal 2001 ■ One of two fiscal '99 Key Results was achieved (one had been unpublished)
Deliver a divisional pre-tax profit before back-line corporate services' charges of $34.6 million from the Mark's retail operation	■ In fiscal 2000, deliver a 2% increase in customer traffic over fiscal '99 on the 32 comparable stores being tracked with traffic counters for the Mark's retail operation ■ Develop a new five-year Strategic Plan for growth for the Mark's retail operation ■ None of two fiscal '99 Key Results was achieved
To generate $122.4 million in gross margin dollars and an inventory turnover rate of 2.1 turns in the Mark's Canadian retail operation	■ To manage the Mark's retail operation to a closing inventory of $110.0 million at retail ■ None of two fiscal '99 Key Results was achieved
To deliver a divisional pre-tax profit before back-line corporate services' charges of $1.3 million from the Work World retail operation	■ To deliver Work World corporate store sales of $270 per retail square foot compared to the optimistic forecast of $262 per retail square foot ■ To generate an additional $0.2 million in royalty revenue from Work World franchises compared to the optimistic forecast ■ None of the two fiscal '99 Key Results was achieved
To generate $13.l million in gross margin dollars in the Work World corporate store retail operation	■ To deliver corporate store mark downs and customer adjustments at 6.5% of corporate store sales ■ To manage the Work World retail operation to a closing inventory of $17.6 million at retail ■ None of two fiscal '99 Key Results was achieved
To hold the 12-month rolling funded debt-to-equity ratio to no more than the optimistic forecast level of 1.13-to-1 by January, 2000 while obtaining $4.0 million of capital lease financing	■ To find and deliver $0.5 million of back-line expense reductions from total optimistic forecast back-line expenses which includes the back-line expenses in each division as well as the corporate services back-line ■ Two of three fiscal '99 Key Results were achieved
To maintain and operate all of the Company's computer systems and develop and deliver the projects agreed upon by the Systems Steering Committee within the department's operating budget of $7.0 million and capital expenditures budget of $2.6 million	■ Research and implement a new point of sale system in 20 stores that operates at a lower cost than our existing point of sale system before the end of 1999 ■ Research and pilot in some test stores a virtual private network that once fully implemented will provide the Company with a 40% or better cost savings on the Company's current communication costs ■ The fiscal '99 Key Result was achieved
To deliver new store locations to the Company's divisions that meet a quality level that has 80% of the new stores achieving their budgeted sales in their first full year of operation	■ To manage annual legal fees for total Company fiscal 2000 new and relocated store leasing activities to no more than $80,000 in fiscal 2000 ■ To have all lease documentation for store openings in fiscal 2000 completed within 60 days of the store opening ■ One of two fiscal '99 Key Results was achieved
To improve Mark's Canada's total sales dollars per front-line staff full-time equivalent from $309,000 in fiscal '99 to $332,000 in fiscal 2000	■ To increase the units per transaction in the Mark's Calgary and Edmonton stores by 0.1% in fiscal 2000 over fiscal 1999 ■ To ensure that a total of 45 Work World employees comprising corporate store operations and district managers complete the six CORE courses available by November 1, 1999 ■ One of two fiscal '99 Key Results was achieved
Deliver new, relocated and refurbished stores at a gross cost of $40 per square foot in the Mark's Division, $36 per square foot in the Work World Division and $100 per square foot in the Dockers® Division	■ Develop new fixturing for the accessory category of merchandise in the Mark's Division that meets the division's presentation, carrying capacity and inventory turnover criteria, by June 1, 1999 ■ Develop an integrated in-store seasonal marketing program for the Mark's Division which combines physical store design with seasonal merchandise programs ■ The fiscal '99 Key Result was achieved

MARK'S WORK WEARHOUSE THRIVES ON MEETING THE SHIFTING NEEDS OF CONSUMERS.

ADAPTING TO FLUCTUATING MARKET CONDITIONS WITH ENHANCED PRODUCT SELECTION AND STRATEGIC PRICING, MARK'S WORK WEARHOUSE CONSISTENTLY

ADAPTABILITY

MAINTAINS ITS HISTORICALLY ROBUST MARKET SHARE OF THE TOTAL MEN'S WEAR MARKET IN CANADA.

ADAPTING TO THE MODERN CANADIAN AT THE OFFICE OR IN THE BACK YARD.

Corporate Goals: Defining Challenge

The key drivers behind the Company's business models that must be monitored to ensure success are:

- customer care
- market share
- corporate store sales per square foot in each division
- gross margin rates in each division
- front-line expense rates as a percentage of sales and per square foot in each division
- corporate services and divisional back-line expense rates as a percentage of total system sales
- front-line contribution as a percentage of sales by store, district, region and division
- franchise revenues as a percentage of franchise sales
- the costs of franchise operations
- logistics costs and efficiency
- total current assets-to-total current liabilities ratio
- total liabilities-to-equity ratio
- average funded debt-to-equity ratio
- coverage of balance sheet and off-balance sheet liabilities

In order to monitor these drivers, the Company has developed, and continues to amend and further develop, operational and financial goals. Operational goals are key items that the Company monitors so that it can gauge how it is progressing towards the achievement of its Strategic Plan and its Mission. Operational goals and other indicators also provide data that can be benchmarked against our competitors in the industry. The financial goals are set and monitored to ensure that while the Company is aggressively pursuing its Strategic Plan and its Mission, it is still being financed conservatively and is providing a superior return to its investors.

Table of Operational Goals

	Fiscal 1997	Fiscal 1998	**Fiscal 1999**	Fiscal 2000 Optimistic Forecast*	Fiscal 2003 Master Targets**
Goal 1: Sales per average retail sq.ft.					
Mark's Division corporate stores					
Goal	$ 255	$ 260	**$ 270**	$ 257	$ 271
Actual	$ 247	$ 253	**$ 251**	$ 257	N/A
Total retail sq.ft. of stores with sales greater than $300 per sq. ft.	235,146	276,713	**269,926**	334,740	N/A
Number of stores with sales greater than $300 per sq. ft.	31	35	**33**	38	N/A
Work World Division corporate stores					
Goal	N/A	N/A	**N/A**	$ 262	$ 304
Actual	N/A	N/A	**N/A**	$ 262	N/A
Total retail sq.ft. of stores with sales greater than $300 per sq. ft.	N/A	N/A	**N/A**	33,268	N/A
Number of stores with sales greater than $300 per sq. ft.	N/A	N/A	**N/A**	14	N/A
Goal 2: Gross margin return on investment (times)					
Mark's Division corporate stores					
Goal	1.5	1.8	**1.9**	1.5	2.1
Actual	1.6	1.7	**1.5**	1.5	N/A
Work World Division corporate stores					
Goal	N/A	N/A	**N/A**	0.8	1.9
Actual	N/A	N/A	**N/A**	0.8	N/A
Goal 3: Front-line contribution as a percentage of corporate store sales					
Goal (consolidated)	10.0%	10.0%	**11.2%**	10.8%	11.5%
Actual					
Mark's Canada	9.4%	11.5%	**10.9%**	11.4%	12.6%
Work World	N/A	6.3%	**4.0%**	5.3%	10.2%
Consolidated***	8.9%	11.0%	**10.3%**	10.8%	11.5%
Goal 4:					
Franchise royalties and other less franchise bad debts as a percentage of franchise sales					
Mark's Division					
Goal	5.0%	6.0%	**6.3%**	6.3%	6.6%
Actual	6.4%	6.5%	**6.4%**	6.3%	N/A
Work World Division					
Goal	N/A	N/A	**3.9%**	3.9%	4.2%
Actual	4.3%	3.5%	**3.9%**	3.9%	N/A
Goal 5: Inventory turnover (times)					
Mark's Division corporate stores					
Goal	2.4	2.4	**2.4**	2.2	2.4
Actual	2.3	2.2	**1.9**	2.2	N/A
Work World Division corporate stores					
Goal	N/A	N/A	**N/A**	1.2	2.0
Actual	N/A	N/A	**1.1**	1.2	N/A

N/A Not available or not applicable.

* The reader is cautioned that all of the forecast data is based upon management's judgement and on assumptions outlined on page 24, some, or all, of which may prove incorrect. Accordingly, actual results achieved during the forecast period will inevitably vary from those forecast, and variations may be material.

** The master targets are based upon management's judgement and on assumptions some, or all of which, may prove incorrect. Accordingly, actual results achieved in future years will inevitably vary from those forecasts and variations may be material.

*** The Consolidated percentages in fiscal 2000 and fiscal 2003 include Dockers®.

Table of Other Indicators:

Mark's Division corporate stores and Mark's corporate back-line operations

	Fiscal 1997	Fiscal 1998	**Fiscal 1999**	Fiscal 2000 Optimistic Forecast*
Customer service				
Total front-line staff performance rating**	N/A	87.9%	**91.2%**	93.0%
All stores performance rating**	N/A	81.1%	**84.4%**	87.0%
Payroll management				
(number of staff at fiscal year end)				
Front-line staff - full time	343	390	**417**	448
Front-line staff - part time	1,357	1,501	**1,612**	1,688
Back-line staff - full time	111	145	**154**	203
Back-line staff - part time	15	16	**23**	15
	1,826	2,052	**2,206**	2,354
Number of full-time equivalents	915	1,091	**1,176**	1,271
Sales dollars per full-time equivalent	$ 241,000	$ 230,000	**$ 229,000**	$ 238,000
Average sales per hour paid	$ 152.33	$ 143.27	**$ 145.13**	$ 156.30
Sales per $ of salary (excluding benefits)				
Selling	$ 19.70	$ 18.71	**$ 19.52**	$ 18.22
Total	$ 8.88	$ 8.72	**$ 9.24**	$ 8.75
% of front-line staff that is part-time	79.8%	79.4%	**79.4%**	79.0%
% of total staff that is back-line	6.9%	7.8%	**8.0%**	9.3%
Management payroll				
Front-line management salaries	$ 5,095,283	$ 5,319,964	**$ 6,098,944**	$ 6,829,107
Back-line management salaries	$ 4,070,380	$ 4,323,374	**$ 4,683,117**	$ 5,120,665
Total management salaries (including benefits)	$ 9,165,663	$ 9,643,338	**$ 10,782,061**	$ 11,949,772
Total management bonus	$ 1,525,629	$ 2,026,159	**$ 606,041**	$ 2,300,000
Total management payroll	$ 10,691,292	$ 11,669,497	**$ 11,388,102**	$ 14,249,772
Total management payroll as a percentage of corporate sales	4.8%	4.6%	**4.2%**	4.7%
% of total management salaries – front-line	55.6%	55.2%	**56.6%**	57.2%
% of total compensation – bonus – based	14.3%	17.4%	**5.3%**	16.1%
% of change of total management compensation	21.6%	9.1%	**(2.4)%**	25.1%
Advertising as a percentage of corporate store sales	4.3%	5.0%	**5.2%**	4.7%
Front-line occupancy costs as a percentage of corporate store sales	8.9%	8.7%	**9.1%**	9.2%
Front-line occupancy costs per average retail sq. ft.	$ 22.43	$ 22.19	**$ 22.78**	$ 24.18
Total retail sq. ft. at fiscal year end	927,972	1,032,594	**1,125,267**	1,194,761
Number of corporate stores "On Concept"				
Number	75	91	**105**	110
Percentage	69.4%	79.1%	**84.7%**	85.9%
Average $ per transaction (corporate stores)	$ 60.10	$ 65.47	**$ 66.89**	$ 68.00
Corporate stores' market share of men's clothing stores market	10.2%	11.2%	**12.1%**	N/A

N/A Not available or not applicable

* The reader is cautioned that all of the forecast data is based upon management's judgement and on assumptions, outlined on page 24, some, or all, of which may prove incorrect. Accordingly, actual results achieved during the forecast period will inevitably vary from those forecast and variations may be material.

** The Mark's Division engages an external organization to shop its stores on a regular basis and evaluate and report on the performance of its staff and stores.

As the Work World, Dockers® and other future divisions develop corporate store history, tables of other indicators will be developed for them as well.

Financial Goals

Following is a report card on how the Company is performing against its seven financial goals:

Goal 1: To earn a 2% after-tax profit on total corporate and franchise store sales

(thousands of dollars, except percentage items)	Fiscal 1997	Fiscal 1998	Fiscal 1999	Fiscal 2000 Conservative	(Forecast Range)* Optimistic
Corporate and franchise store sales	303,756	402,207	**417,468**	455,357	470,211
Net income	3,923	6,551	**5,752**	7,814	9,427
After-tax profit return on total sales	1.3%	1.6%	**1.4%**	1.7%	2.0%

Goal 2: To provide a return on capital employed in excess of 25% (20% prior to fiscal '98) and a return on average equity in excess of 15%

(thousands of dollars, except per share and percentage items)	Fiscal 1997	Fiscal 1998	Fiscal 1999	Fiscal 2000 Conservative	(Forecast Range)* Optimistic
Average capital employed	43,775	57,858	**73,972**	87,440	87,920
EBIT	10,159	14,736	**14,361**	19,941	23,063
Return on average capital employed	23.2%	25.5%	**19.4%**	22.8%	26.2%
Average equity	34,519	41,815	**50,026**	56,975	57,782
Return on average shareholders' equity	11.4%	15.7%	**11.5%**	13.7%	16.3%
Book value per share	1.45	1.71	**1.91**	2.19	2.25

Goal 3: To maintain a total liabilities-to-equity ratio of no greater than 1.75-to-1 at the Company's fiscal year end, and to have a 12-month rolling average total funded debt-to-equity ratio no greater than 1-to-1. (.90-to-1 in fiscal '99 and '98 and .75-to-1 prior to fiscal 1998 when there were no computer capital leases on the Company's balance sheet. See Note 7 to the Consolidated Financial Statements)

(thousands of dollars, except ratios)	Fiscal 1997	Fiscal 1998	Fiscal 1999	Fiscal 2000 Conservative	(Forecast Range)* Optimistic
Total liabilities	57,938	58,871	**79,686**	77,477	78,178
Equity	36,884	46,746	**53,306**	60,644	62,258
Total liabilities-to-equity ratio	1.57/1	1.26/1	**1.49/1**	1.28/1	1.26/1
Average funded debt-to-equity ratio	0.51/1	.71/1	**.92/1**	1.20/1	1.13/1

Goal 4: To maintain a current ratio of not less than 1.50-to-1 at the Company's fiscal year end

(thousands of dollars, except ratios)	Fiscal 1997	Fiscal 1998	Fiscal 1999	Fiscal 2000 Conservative	(Forecast Range)* Optimistic
Current assets	70,377	75,810	**96,360**	101,858	104,195
Current liabilities	45,304	44,397	**56,525**	53,828	54,529
Working capital	25,073	31,413	**39,835**	48,030	49,666
Current ratio	1.55/1	1.71/1	**1.70/1**	1.89/1	1.91/1

* The forecast range set by the conservative and optimistic forecasts is based upon management's judgement and on assumptions, outlined on page 24, some, or all, of which may prove incorrect. Accordingly, actual results achieved during the forecast period will inevitably vary from those forecast and variations may be material.

Goal 5: To restrict unfinanced capital expenditures to no more than the amount that results in at least a 1.3 times coverage (EBITDA +(-) other non-cash items added or deducted in determining funds flow from operations + rents + CAM + other operating leases - unfinanced capital expenditures) divided by (interest + rents + CAM + other operating leases + scheduled annual principal repayments of long-term debt)

(thousands of dollars, except times coverage)	Fiscal 1997	Fiscal 1998	**Fiscal 1999**	Fiscal 2000 Conservative	(Forecast Range)* Optimistic
EBITDA	14,582	21,831	**22,738**	30,514	33,657
Non-cash items	(1,031)	(37)	**1,686**	(1,790)	(1,790)
Rents + CAM + other operating leases	20,207	19,845	**22,506**	27,666	27,843
	33,758	41,639	**46,930**	56,390	59,710
Capital expenditures including capital leases	5,832	11,309	**10,152**	7,778	7,778
Financing of capital expenditures including lease financing	(3,509)	(10,435)	**(7,228)**	(9,188)	(9,188)
Unfinanced (over-financed) capital expenditures	2,323	874	**2,924**	(1,410)	(1,410)
Numerator	31,435	40,765	**44,006**	57,800	61,120
Interest, rents, CAM, other operating leases and scheduled annual principal repayments	24,342	26,611	**33,863**	40,129	40,541
Times coverage	1.29	1.53	**1.30**	1.44	1.51

Goal 6: To maintain rent, other operating leases, computer services and interest on long-term debt coverage in the range of 1.50-to-1.75 times

(thousands of dollars, except times coverage)	Fiscal 1997	Fiscal 1998	**Fiscal 1999**	Fiscal 2000 Conservative	(Forecast Range)* Optimistic
Earnings from operations before income taxes, rent, other operating leases, interest on long-term debt and computer services	26,975	33,615	**34,388**	44,743	47,807
Rent, other operating leases, interest on long-term debt and computer services	18,665	21,211	**23,392**	29,923	30,100
Times coverage	1.45	1.58	**1.47**	1.50	1.59

Goal 7: To achieve back-line costs excluding interest of less than 5% of total retail sales (corporate store and franchise stores sales combined). This was a 6% test prior to fiscal '98

(thousands of dollars, except percentage items)	Fiscal 1997	Fiscal 1998	**Fiscal 1999**	Fiscal 2000 Conservative	(Forecast Range)* Optimistic
Total retail sales	303,756	402,207	**417,468**	455,357	470,211
Back-line costs, excluding interest	15,768	21,301	**20,845**	22,326	23,473
Back-line costs as a percentage of total retail sales	5.2%	5.3%	**5.0%**	4.9%	5.0%

As of January 30, 1999, the Company is meeting one of its five operational goals and three of its seven financial goals.

* The forecast range set by the conservative and optimistic forecasts is based upon management's judgement and on assumptions, outlined on page 24, some, or all, of which may prove incorrect. Accordingly, actual results achieved during the forecast period will inevitably vary from those forecast and variations may be material.

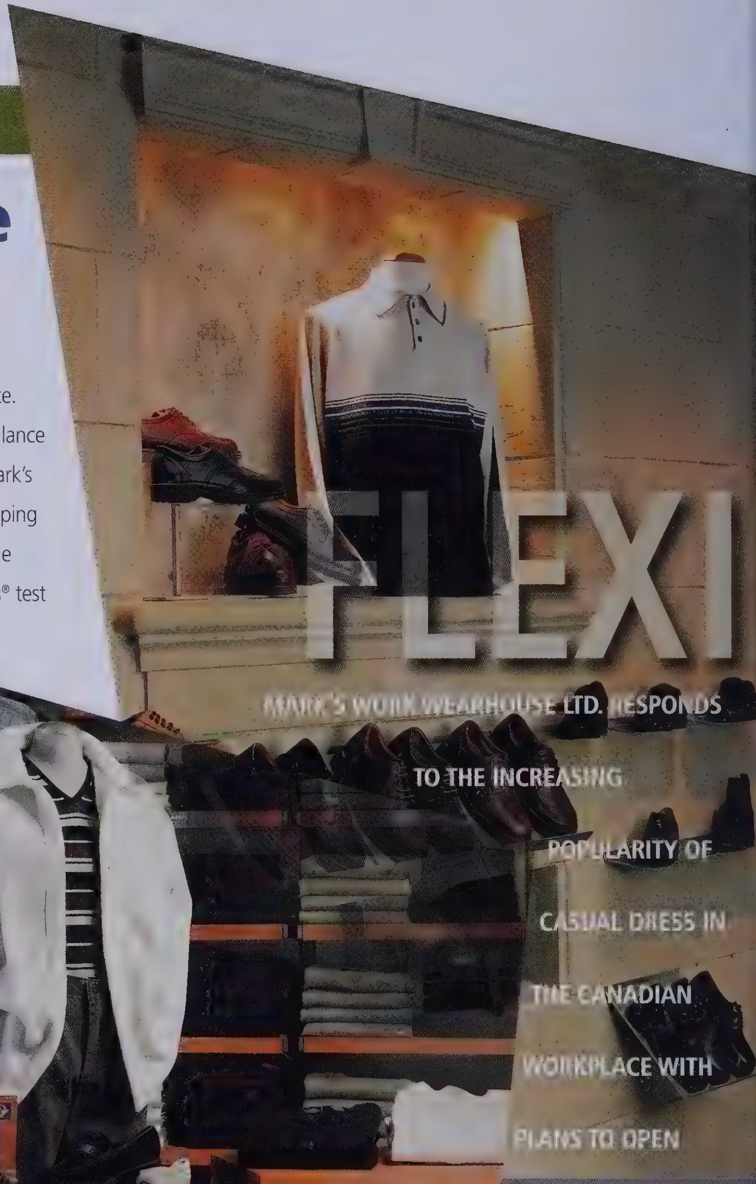
Strategic Plan: Vision of the Future

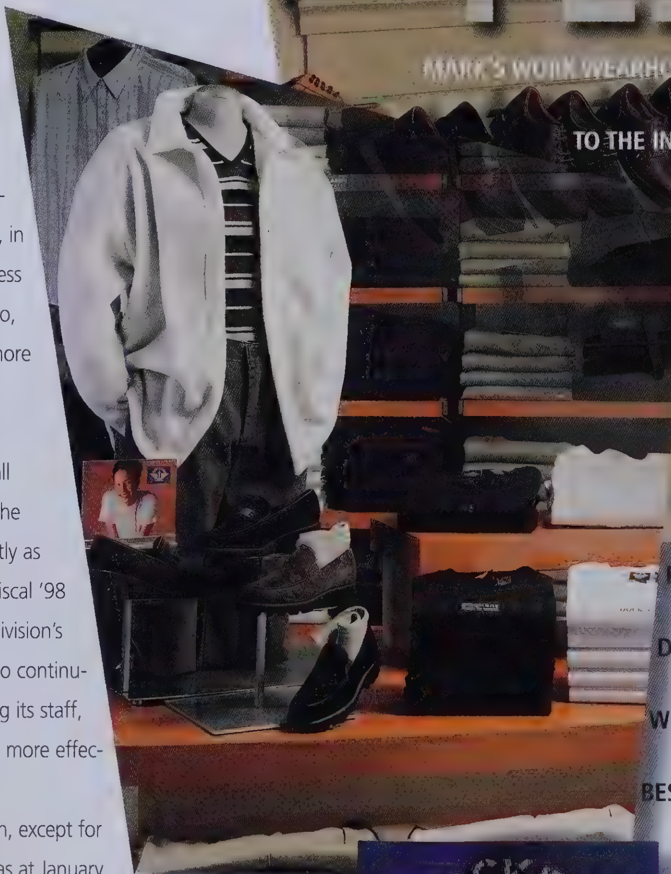
This year's annual report theme "Windows of Opportunity" accurately describes our Strategic Plan update.

Our Strategic Plan is characterized by a strategic balance of reinvesting and improving upon proven formats (the Mark's Division), leveraging off our strengths for growth in developing areas of the business (the "Corporate Store" strategy in the Work World Division) and exploring initiatives (the Dockers® test stores), ensuring that the Company continues to grow profitably.

The Company continues to improve and invest in its Mark's Work Wearhouse and L'Équipeur "On Concept" stores. In fiscal '99, 16 corporate store projects were completed and, in fiscal 2000, 13 more are planned. Success rates continue to be very high in Ontario, the Prairies and Atlantic Canada, and more modest but still acceptable in British Columbia and Quebec. In total, all are meeting the Company's expected overall hurdle rates. Business account sales in the Mark's Division continue to grow robustly as they grew by 19.8% in fiscal '99 over fiscal '98 levels and now make up 6.3% of the division's total business. The Mark's Division is also continually pursuing new methods of managing its staff, marketing, occupancy and freight costs more effectively.

In its Work World Division, which, except for three stores, was a franchise operation as at January 31, 1998, the Company opened nine new corporate prototype stores and through acquisitions, converted 31 franchise stores to corporate stores in fiscal '99. In fiscal 2000, the Company will fine tune its merchandising programs and store formats in this corporate store base and then get really aggressive about adding Work World "On Concept" corporate stores in future years.





FULL-SERVICE DOCKERS® STORES WITH THE LARGEST AND BEST PRESENTATION OF DOCKERS® PRODUCTS IN THE COUNTRY.

In fiscal '99, the Company entered into arrangements with Levi Strauss & Co. (Canada) Inc. and Levi Strauss & Co. of San Francisco, California whereby it obtained the rights to open and operate Dockers® stores in Canada and in conjunction with Levi Strauss, to develop merchandise assortments for those stores. Four or five stores will be tested in 1999 (fiscal 2000) and after a test period, a rollout of up to 150 stores may be launched. Due to the magnitude of this opportunity, the Company chose to abandon its U.S. pilot of two stores, which were progressing slowly, and focus its energy and resources on the Dockers® store initiative.

As always, the Company is diligently on the lookout for new formats, acquisitions or significant transactions that can add shareholder value and growth to Mark's Work Wearhouse.

Master Targets – Excerpts from the Strategic Plan**

(dollar amounts in thousands except share price)	Owner	Actual January, 1997	Actual January, 1998	**Actual January, 1999**	Master Targets January, 2000**	Master Targets January, 2001**	Master Targets January, 2002**
Mark's Canada corporate and franchise sales****	Paul Wilson	$280,174	$312,035	**$328,937**	$368,886	$402,995	$427,685
Work World franchise and corporate sales	Colin Laker	$ 22,172*	$ 88,497	**$ 86,866**	$ 95,224	$120,617	$136,639
Dockers® corporate sales	N/A	N/A	N/A	**N/A**	$ 6,101	$ 22,203	$ 50,364
# of Mark's Canada corporate stores	Paul Wilson	107	114	**122**	128	133	138
# of Mark's Canada franchise stores	Paul Wilson	33	31	**29**	29	29	29
# of Work World franchise stores	Colin Laker	150	139	**105**	102	88	76
# of Work World corporate stores	Colin Laker	N/A	3	**41**	41	58	73
# of Dockers® corporate stores	N/A	N/A	N/A	**N/A**	5	17	37
Mark's Canada corporate stores gross margin rate	Rick Harrison	38.0%	40.6%	**40.6%**	40.5%	40.7%	40.9%
Work World corporate stores gross margin rate	Richard MacMillan	N/A	39.9%	**35.6%**	39.0%	39.3%	39.6%
Dockers® corporate stores gross margin rate	N/A	N/A	N/A	**N/A**	40.0%	40.0%	40.0%
Mark's Canada franchise royalties and other	Paul Wilson	$ 4,019	$ 4,096	**$ 3,985**	$ 4,372	$ 4,459	$ 4,549
Work World franchise royalties and other	Colin Laker	$ 962*	$ 3,508	**$ 3,031**	$ 2,610	$ 2,694	$ 2,530
Mark's Canada front-line payroll % of corporate sales	Paul Wilson	9.0%	9.3%	**8.8%**	8.7%	8.6%	8.5%
Mark's Canada advertising % of corporate sales	Paul Wilson	4.3%	5.0%	**5.2%**	4.7%	4.7%	4.7%
Consolidated total expenses % of corporate sales	John Murphy	36.5%	38.6%	**37.9%**	37.2%	36.5%	36.0%
Share price	Garth Mitchell	$ 1.97	$ 3.70	**$ 3.25**	$ 5.00	$ 6.00	$ 7.00
Consolidated average funded debt-to-equity	Mike Lambert & John Murphy	.51/1	.71/1	**.92/1**	1.13/1	1.00/1	1.00/1
Mark's Canada year-end inventory at retail	Rick Harrison	$ 80,109	$110,929	**$117,419**	$118,189	$128,437	$134,687
Consolidated capital expenditures including capital leases***	Michel St. Jean & Robin Lynas	$ 5,832	$ 11,309	**$ 10,152**	$ 7,778	$ 12,000	$ 14,000
Mark's Canada corporate stores year-end avg. store size	Michel St. Jean	8,547	8,941	**9,115**	9,300	9,500	9,700
Work World year-end total system avg. store size	Colin Laker	2,267	2,707	**2,567**	2,700	2,750	2,800
Dockers® year-end average store size	N/A	N/A	N/A	**N/A**	3,428	3,500	3,500

N/A Not applicable or not available
* Two months' activity only in fiscal '97
** The master targets are based upon management's judgement and on assumptions some, or all, of which may prove incorrect. Accordingly, actual results achieved in future years will inevitably vary from those forecast and variations may be material
*** Fiscal '98 includes $5,281,000 for assumption of computer leases on termination of outsourcing arrangements of computer services. See Note 7 to the Consolidated Financial Statements and Management's Discussion and Analysis - Consolidated Balance Sheets – Capital Assets.
**** Excludes inter-group sales

Forecast

Earnings per Common Share, for the 52 weeks ending January 29, 2000, are forecast to be in the range of 28 to 34 cents per Common Share. This forecast range represents, in management's judgement, the most likely set of conditions and the Company's most likely course of action. The reader is cautioned that some assumptions used while preparing our forecast range, although considered reasonable at the time of preparation, may prove to be incorrect. The actual results achieved during the forecast period will inevitably vary from the forecast range and variations may be material.

The Company completed this forecast range on April 6, 1999. The quarterly financial reports issued by the Company to its shareholders during the forecast year will contain either a statement that there are no significant changes to be made to the forecast range or an updated earnings per Common Share forecast range accompanied by explanations of significant changes. The reader is further cautioned that the fourth quarter of the year continues to produce approximately 40% of the Company's annual sales and the majority of its annual profits, and as a consequence, the Company could report being within, above, or below the forecast range up to the end of the third quarter and still have a material variation to report for the year once fourth quarter results become known.

Key Assumptions

(dollars in thousands, except sales per retail sq. ft.)	**Actual 52 weeks ended January 30, 1999**	Forecast Range (unaudited) 52 weeks ended January 29, 2000	
		Conservative	Optimistic
Total sales increase – Mark's Canada corporate stores	**7.1%**	9.4%	13.1%
Total sales increase (decrease) – Mark's franchise stores	**(1.4)%**	7.8%	7.8%
Total sales – Work World franchise stores**	**$ 72,266**	$ 60,216	$ 61,600
Total sales – Dockers® stores	**N/A**	$ 4,642	$ 6,101
Number of Dockers® stores opening	**N/A**	4	5
Same store sales increase – Mark's Canada corporate stores***	**4.8%**	2.9%	6.0%
Same store sales increase – Mark's franchise stores***	**4.0%**	8.6%	8.6%
Number of new Mark's Canada corporate store openings	**7**	6	6
Sales from new Mark's Canada corporate store openings during year	**$ 5,153**	$ 9,490	$ 10,831
Number of Mark's Canada corporate store expansions,	**9**	7	7
relocations, refurbishments and sales therefrom	**$ 18,470**	$ 19,794	$ 19,794
Number of Mark's Canada corporate store closings	**1**	Nil	Nil
and sales therefrom	**$ 24**	Nil	Nil
Sales per average retail sq. ft. (Mark's Canada corporate stores)*	**$ 252**	$ 249	$ 257
Number of Mark's franchise stores at year end	**29**	29	29
Number of Work World franchise stores at year end	**105**	102	102
Number of Mark's franchise stores converted to corporate stores	**2**	Nil	Nil
and sales therefrom after conversion	**$ 1,902**	Nil	Nil
Number of Work World franchise stores converted to corporate	**31**	Nil	Nil
stores and sales therefrom after conversion	**$ 10,607**	Nil	Nil
Number of Work World franchise store openings	**Nil**	1	1
Number of Mark's franchise store closings	**Nil**	Nil	Nil
Number of Work World franchise store closings	**4**	4	4
Mark's Canada gross margin rate	**40.6%**	40.5%	40.5%
Work World gross margin rate	**35.6%**	37.3%	39.0%
Dockers® gross margin rate	**N/A**	40.0%	40.0%
Inventory turnover – Mark's Canada corporate stores	**1.9**	2.1	2.2
Consolidated capital expenditures including capital purchases made by capital leases	**$ 10,152**	$ 7,778	$ 7,778
Operating line – interest rates	**6.8%**	7.0%	7.0%
Long-term debt financing including capital lease financing	**$ 17,228**	$ 9,188	$ 9,188
Consolidated front-line expenses as a percent of corporate store sales	**30.0%**	30.2%	29.5%
Consolidated back-line expenses including interest long-term as a percentage of total system sales	**5.3%**	5.5%	5.6%

N/A Not Applicable

* Calculated on stores open and at the same size for an entire season. The Company divides the year into two seasons: Spring – February through July; Fall – August through January.

** 31 Work World franchise stores were converted to Work World corporate stores during fiscal '99.

*** Week 53 was excluded in fiscal '98 to calculate the percentage increase in fiscal '99 over fiscal '98.

Consolidated Statements of Earnings

(in thousands, except per Common Share)	Actual 52 weeks ended January 30, 1999	Forecast Range (unaudited) 52 weeks ended January 29, 2000 Conservative	Optimistic
Total sales	**$ 417,468**	$455,357	$470,211
Franchise sales	**134,067**	126,828	128,212
Corporate sales	**283,401**	328,529	341,999
Cost of sales	**169,163**	196,521	204,020
Gross margin	**114,238**	132,008	137,979
Front-line expenses	**85,102**	99,187	101,041
Front-line contribution	**29,136**	32,821	36,938
Franchise royalties and other	**7,016**	6,881	6,982
Net front-line contribution	**36,152**	39,702	43,920
Back-line expenses	**22,195**	24,882	26,213
Earnings before provision for closure of U.S. pilot stores and income taxes	**13,957**	14,820	17,707
Provision for closure of U.S. pilot stores	**2,961**	—	—
Earnings before income taxes	**10,996**	14,820	17,707
Income taxes	**5,244**	7,006	8,280
Net earnings	**$ 5,752**	$ 7,814	$ 9,427
Earnings per Common Share	**21¢**	28¢	34¢
Weighted average number of Common Shares outstanding	**27,475**	27,784	27,784

Consolidated Balance Sheets

(in thousands)	Actual As at January 30, 1999	Forecast Range (unaudited) As at January 29, 2000 Conservative	Optimistic
Assets			
Current assets			
Cash and cash equivalents	**$ 2,710**	$ —	$ 3,264
Merchandise inventories	**76,982**	83,056	82,023
Other	**16,668**	18,802	18,908
	96,360	101,858	104,195
Other assets	**975**	1,234	1,234
Capital assets	**23,531**	21,890	21,868
Future income taxes	**3,413**	4,853	4,853
Goodwill	**8,713**	8,286	8,286
	$132,992	$138,121	$ 140,436
Liabilities			
Current liabilities			
Bank indebtedness	**$ —**	$ 654	$ —
Other current liabilities	**56,525**	53,174	54,529
	56,525	53,828	54,529
Long-term debt	**22,052**	22,890	22,890
Deferred gain	**1,109**	759	759
	79,686	77,477	78,178
Shareholders' equity			
Capital stock	**32,696**	32,524	32,524
Retained earnings	**20,610**	28,120	29,734
	53,306	60,644	62,258
	$132,992	$138,121	$ 140,436

Consolidated Statements of Cash Flows

(in thousands)	Actual 52 weeks ended January 30, 1999	Forecast Range (unaudited) 52 weeks ended January 29, 2000 Conservative	Optimistic
Cash and cash equivalents generated (deployed)			
Operations	**$ 15,815**	$ 16,596	$18,231
Working capital	**(8,910)**	(10,501)	(8,218)
Investing*	**(10,579)**	(985)	(985)
Financing*	**6,035**	(8,474)	(8,474)
Net cash and cash equivalents generated (deployed)	**$ 2,361**	$ (3,364)	$ 554

* Excludes capital lease investing and financing.

Post Mortem on the Prior Year's Forecast Range

CONSOLIDATED STATEMENTS OF EARNINGS

In its January 31, 1998 annual report, the Company forecasted earnings per Common Share in the range of 28 cents to 34 cents for its fiscal year ended January 30, 1999. Then, in its third quarter, the Company experienced a softening sales trend as a result of consumer response to overall economic conditions particularly in western Canada, and the unseasonably mild weather experienced throughout Canada in late fall as the world experienced its warmest year in 130 to 140 years, according to an Environment Canada spokesperson. When this trend continued through November, the Company announced on December 4, 1998, that it was downgrading its forecasted earnings per Common Share range to a revised forecast range of 20 cents to 26 cents per Common Share.

During the fiscal year ended January 30, 1999, the Company delivered total corporate and franchise store sales of $417.5 million, essentially within $0.3 million of the top end of the revised forecast range, which had been downgraded by $22.1 million from the bottom end of the previous forecast range for the reasons noted above. Despite this large sales shortfall from the original forecast range, the Company was able to react to the sales shortfall, and through its open-to-buy system, to manage its inventory levels and bring the gross margin rate in at an annual rate of 40.3% compared to the revised forecast range of 40.0% to 40.3% and the original forecast range of 40.6% to 40.7%. See the Gross Margin section of Management's Discussion and Analysis of the Consolidated Statements of Earnings for more detail.

This resulted in the Company delivering $114.2 million in gross profit dollars $0.1 million above the optimistic end of the revised forecast, but $2.9 million lower than the bottom end of the original forecast range.

As the sales shortfall to the original plan unfolded, the Company also reacted by managing expenses aggressively and brought them in at $107.3 million, some $3.3 million below the original forecast range and $0.1 million below the revised forecast range.

The net result of all of the above was that the Company was able to deliver $14.0 million in pre-tax income before provision for the closure of its U.S. pilot stores. This was $0.2 million above the optimistic end of its revised forecast and only $0.9 million lower than its original conservative forecast, representing a significant accomplishment given the size of the sales shortfall from the original forecast range.

(in thousands, except per Common Share)	52 weeks ended January 30, 1999 Actual	Original Forecast Range 52 weeks ended January 30, 1999 Conservative	Original Forecast Range Optimistic	Revised Forecast Range 52 weeks ended January 30, 1999 Conservative	Revised Forecast Range Optimistic
Corporate and Franchise store sales	**$417,468**	$439,886	$456,933	$414,957	$417,748
Deduct:					
Franchise store sales – Mark's	**61,801**	62,787	62,787	62,422	62,922
Franchise store sales – Work World	**72,266**	88,483	96,275	71,274	71,274
Corporate store sales	**283,401**	288,616	297,871	281,261	283,552
Gross margin	**114,238**	117,180	121,113	112,594	114,137
Franchise royalties and other	**7,016**	8,263	8,685	6,977	7,009
Expenses	**107,297**	110,578	111,927	108,367	107,422
Pre-tax earnings before provision for closure of U.S. pilot stores	**13,957**	14,865	17,871	11,204	13,724
Provision for closure of U.S. pilot stores	**2,961**	—	—	—	—
Pre-tax earnings	**10,996**	14,865	17,871	11,204	13,724
Income taxes	**5,244**	7,060	8,421	5,573	6,580
Net income	**$ 5,752**	$ 7,805	$ 9,450	$ 5,631	$ 7,144
Earnings per Common Share	**21¢**	28¢	34¢	20¢	26¢

Then, as was described in Notes 16 and 20A to the Consolidated Financial Statements, the Company took an unplanned provision of $3.0 million as it decided to end its U.S. test. The final result was a pre-tax earnings amount of $11.0 million compared to a revised forecast range, which had not contemplated the U.S. closure provision, of $11.2 million to $13.7 million and an original forecast range of $14.9 million to $17.9 million.

CONSOLIDATED BALANCE SHEETS

The Company's current assets as at January 30, 1999 of $96.4 million were $10.1 million above the original forecast range as inventories were $5.0 million higher than original plans, other assets including receivables were $3.0 million higher than original plans and cash came in $2.1 million higher than original plans. This occurred as the original plans had not contemplated the "Corporate Store" strategy in the Company's Work World Division which resulted in the Paul John acquisition (19 Work World franchise stores), the purchase of 12 other Work World franchise stores and the opening of nine new stores as corporate stores rather than franchise stores.

Capital assets also came in $1.5 million above the original forecast range and as Notes 2A and 3 to the Consolidated Financial Statements illustrate, the unplanned franchise store purchases account for $1.3 million of that amount. Similarly, goodwill came in $1.7 million above the original forecast range and the franchise store purchases, including the Paul John acquisition, account for all of that. In addition, as outlined in Note 1M to the Consolidated Financial Statements, the adopting of the asset/liability method of accounting for future taxes and the preparation of proofs related thereto resulted in the setting up of future income tax assets.

On the liability side of the balance sheet, total liabilities came in at some $20.0 million higher than the original forecast range as the Company sourced $10.0 million of term bank financing which had not been planned. As is noted in Management's Discussion and Analysis of the Consolidated Balance Sheets, $5.0 million of the term bank financing was used to finance both the acquisition and working capital requirements of the Paul John acquisition. In addition, due to the higher consolidated year-end inventories, partly due to the Paul John acquisition and other franchise purchases and partly due to the exceptionally mild winter, the accounts payables and accrued liabilities supporting these inventories came in $10.0 million higher than the original forecasts.

Year-end capital stock was as forecast. The Company's year-end current ratio of 1.70-to-1 came in lower than the 1.97-to-1 to 2.02-to-1 forecast primarily because of the higher current liabilities. The Company's year-end total liabilities-to-equity ratio came in at 1.49-to-1 higher than the 1.03-to-1 to 1.08-to-1 forecast because of the higher total debt and lower equity as a result of the earnings shortfall to the original forecast.

CONSOLIDATED STATEMENTS OF CASH FLOWS

As can be seen in the table provided, net cash generated came in $5.6 million higher than the original conservative forecast and $2.1 million higher than the original optimistic forecast. This occurred as although the actual funds flow from operations was lower than the original forecast range, the actual investment in working capital was also lower than the original forecast range and actual financing activities including capital leases exceeded the original forecast range by more than actual investing activities, including capital leases.

	52 weeks ended January 30, 1999	52 weeks ended January 30,1999		Variance of actual to original	
(thousands)	**Actual**	Conservative	Optimistic	Conservative	Optimistic
Cash generated (deployed)					
Operations	**$ 15,815**	$ 16,509	$ 18,154	$ (694)	$ (2,339)
Non-cash working capital	**(8,910)**	(12,108)	(10,274)	3,198	1,364
Investing, including capital leases	**(17,548)**	(9,497)	(9,497)	(8,051)	(8,051)
Financing, including capital lease funding	**13,004**	1,907	1,907	11,097	11,097
Net cash generated (deployed)	**$ 2,361**	$ (3,189)	$ 290	$ 5,550	$ 2,071

Management's Discussion and Analysis: Setting Our Sights On Opportunity

Consolidated Statements of Earnings

SALES

This past year the Company grew its total system sales over the prior year by 3.8% as shown in Table 1.

The Company's sales growth in fiscal '99 over fiscal '98 compares to retail sales growth in Canada in calendar 1998 over calendar 1997 as shown in Graph 1.

Table 1 and Graph 1 illustrate that, in a year of more modest retail sales growth, the Company continued to outperform its market segments (men's clothing stores and men's shoe stores) and the corporate stores in the Company's main division, Mark's, grew their sales at 7.1%, representing a greater growth rate than any other grouping in Graph 1 other than furniture and appliances and all others.

TOTAL SYSTEM SALES

TABLE 1

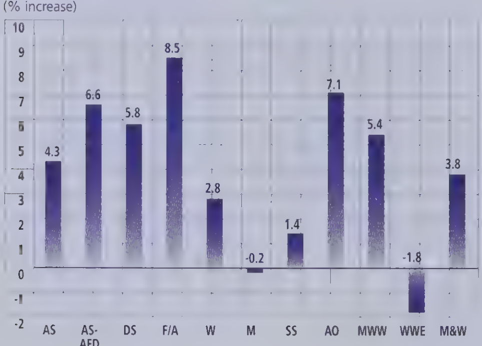
	52 weeks ended January 25, 1997 ($000s)	53 weeks ended January 31, 1998 ($000s)	**52 weeks ended January 30, 1999 ($000s)**	Fiscal 1999 Increase (Decrease) Over Fiscal 1998 ($000s)	(%)
Mark's Division					
Corporate stores	220,902	251,014	**268,801**	17,787	7.1
Franchise stores	60,682	62,696	**61,801**	(895)**	(1.4)
Total	281,584	313,710	**330,602**	16,892	5.4
Work World Division					
Corporate stores	—	1,002	**14,600**	13,598**	100.0+
Franchise stores	22,172*	87,495	**72,266**	(15,229)**	(17.4)
Total	22,172	88,497	**86,866**	(1,631)	(1.8)
Combined	303,756	402,207	**417,468**	15,261	3.8

* The Work World Division was acquired effective December 1, 1996.

** Two Mark's Division and 31 Work World Division franchise stores (19 through the purchase of Paul John Enterprises Ltd.) were acquired during the fiscal year ended January 30, 1999.

1998 RETAIL SALES

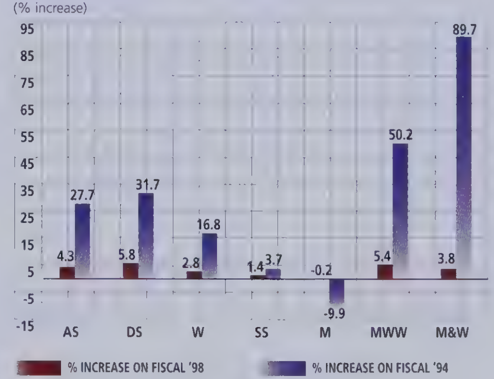
(% increase)



Graph 1

MERCHANDISE SECTOR SALES

(% increase)



Graph 2

Graph Legend

Source = The Industry data in graphs 1, 2 part of 3 and part of 4 comes from Statistics Canada. The industry data in part of graph 3, all of graphs 5 and 6 comes from the Canadian Apparel Market Monitor. The industry data in part of graph 4 and all of graph 7 comes from FMI Canada. All Mark's and Work World data comes from Mark's and Work World's accounting records.

AS = All Stores

AS-AFD = All Stores less auto, food and drug

DS = Department Stores (includes discount department stores)

SS = Shoe Stores

M = Men's Clothing

W = Women's Clothing

F/A = Furniture and Appliances

AO = All Others

MWW = Mark's Division Canadian corporate and franchise stores

WWE = Work World Division corporate and franchise stores

M&W = Mark's and Work World Divisions total system sales. Work World was acquired effective December 1, 1996

While the Company's sales growth was more modest in 1998 (fiscal January 1999), the Company's sales growth over the last five years has far outpaced the industry growth in apparel and footwear as Graph 2 illustrates.

In addition, as illustrated in Graph 3, the Company continues to increase its market share of the men's clothing store market and is maintaining its position in the total men's wear market as department stores abandon some of their traditional areas to focus more on the men's and ladies' wear markets.

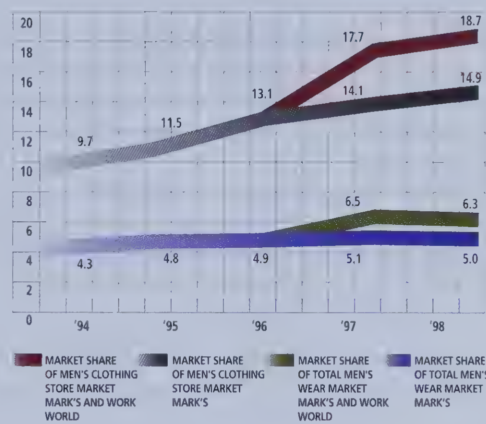
Over the last three years, as can be seen in Graph 4, the Company, while not operating in the dress-up or athletic footwear businesses, has also been growing its market share of the Canadian men's footwear market.

The Company has been, and continues to be, a leader in sales gains in the men's apparel and men's footwear sectors. The Company has managed to generate these sales increases in what has been a soft men's apparel retail climate in the 1990s. See Graph 5.

In the very competitive $4.7 billion men's wear and $1.0 billion men's footwear businesses in Canada, the Company has been employing strategies specifically tailored to maintain and grow its sales. In its Mark's Division, those strategies have been and continue to be "On Concept" real estate activity, merchandise assortment development and targeted marketing events. The impact of each is reflected in Tables 2, 3 and 4.

5-YEAR MEN'S APPAREL RETAIL MARKET SHARE

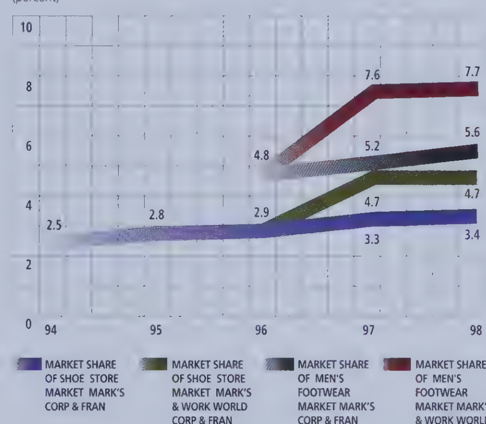
Percentage of Retail Dollar Sales Men's Apparel Mark's (corporate and franchise stores) plus Work World (corporate and franchise stores) in 1998 and 1997
(percent)



Graph 3

FOOTWEAR RETAIL MARKET SHARE

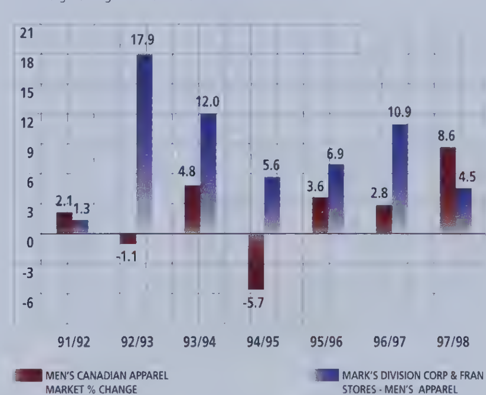
Three Year Market Share Percentage of Retail Dollar Sales Men's Footwear Market and 5-Year Retail Market Share Percentage of Retail Dollar Sales Shoe Store Market by Mark's (corporate and franchise stores) plus Work World (corporate and franchise stores) in 1998 and 1997
(percent)



Graph 4

MEN'S CANADIAN APPAREL MARKET

Percentage Change in Retail Dollar Sales



Graph 5

CORPORATE STORE SALES INCREASES – ANALYSIS BY REAL ESTATE ACTIVITY

TABLE 2

As at January 30, 1999		52 weeks ended January 25, 1997 ($000s)	53 weeks ended January 31, 1998 ($000s)	**52 weeks ended January 30, 1999 ($000s)**	Fiscal 1999 Increase (Decrease) Over Fiscal 1998 ($000s)	(%)
61	Unchanged stores	132,030	141,050	**145,928**	4,878	3.5
1	Store affected by a new store in existing market (97/98)	1,872	1,791	**1,677**	(114)	(6.4)
1	Store affected by a new store in existing market (99/98)	3,188	3,390	**2,867**	(523)	(15.4)
63		137,090	146,231	**150,472**	4,241	2.9
13	Relocated, expanded and refurbished stores in fiscal '97	25,587	29,607	**31,913**	2,306	7.8
14	Relocated, expanded and refurbished stores in fiscal '98	28,639	32,188	**33,771**	1,583	4.9
9	Relocated, expanded and refurbished stores in fiscal '99	15,299	15,754	**18,470**	2,716	17.2
99	Same-store sales subtotal	206,615	223,780	**234,626**	10,846	4.8
7	New stores fiscal '99	—	—	**5,153**	5,153	100+
7	New stores fiscal '98 going to full year	—	7,403	**11,429**	4,026	54.4
3	New stores fiscal '97 going to full year	5,418	6,971	**7,206**	235	3.4
2	Purchased franchise stores fiscal '99	—	—	**1,902**	1,902	100+
1	Purchased franchise stores fiscal '98 going to full year	—	607	**1,105**	498	82.0
3	Purchased franchise stores fiscal '97 going to full year	4,793	5,376	**5,702**	326	6.1
	Closed in fiscal '99 (1 store)	1,515	1,673	**24**	(1,649)	(98.6)
	Closed in fiscal '98 (1 store)	656	299	**—**	(299)	(100.0+)
	Closed in fiscal '97 (3 stores)	623	—	**—**	—	—
	Other	(128)	(1)	**(11)**	(10)	(100.0+)
122		219,492	246,108	**267,136**	21,028	8.5
	53rd week in fiscal '98	—	3,231	**—**	(3,231)	(100.0+)
	Total Mark's Canada*	219,492	249,339	**267,136**	17,797	7.1
2	Mark's U.S. pilot stores*	1,410	1,675	**1,665**	(10)	(0.6)
41	Work World Division corporate stores	—	1,002	**14,600**	13,598	100.0+
165		220,902	252,016	**283,401**	31,385	12.5

* Excludes inter-group sales

Table 2 illustrates that sales growth results directly from real estate activities. In the Mark's Division, real estate activity over the last three years has caused stores sales increases to grow. In fiscal '99, real estate activity caused the sales growth to increase from $4.2 million or 2.9% for its unchanged and affected stores, to $17.8 million or 7.1% for its total sales growth over fiscal '98. Similarly, in fiscal '98, real estate activity caused store sales increases to grow from the $9.1 million or 6.7% growth on its unchanged and affected stores to $26.6 million or 12.1% in total sales growth, excluding week 53, over fiscal '97. In addition, each year the Company carries out an in-depth "Post Audit" process on each new or relocated, expanded or refurbished store to ensure that the rate of return on each project and overall corporate success rates on real estate related capital expenditures are maintained.

The movement from zero Work World Division corporate stores at the end of fiscal '97 to three at the end of fiscal '98, and currently 41 at the end of fiscal '99 will provide the Company the opportunity to implement this real estate activity strategy in the Work World Division. In future, the Company will use the Work World Division store model it has developed to generate the same kind of results as have been experienced in the Mark's Division as a result of real estate activity over the last several years. The two U.S. pilot stores are being closed in fiscal 2000 as that market test is being discontinued. See Notes 16 and 20A to the Consolidated Financial Statements.

MARK'S DIVISION CORPORATE STORE SALES INCREASES - ANALYSIS BY NATIONAL MARKETING EVENTS*

TABLE 3

	52 weeks ended January 25 1997 ($000s)	53 weeks ended January 31 1998 ($000s)	**52 weeks ended January 30 1999 ($000s)**	Fiscal 1999 Increase (Decrease) Over Fiscal 1998 ($000s)	(%)
Anniversary event and spring guide	18,705	19,373	**24,476**	5,103	26.3
May event	14,942	16,502	**18,383**	1,881	11.4
Father's Day	11,795	13,237	**13,811**	574	4.3
Back to Class August and September events	18,947	22,308	**24,158**	1,850	8.3
Fall guide	18,345	20,370	**23,611**	3,241	15.9
TV campaign, industrial guide and outerwear event	23,960	28,847	**32,483**	3,636	12.6
October event	22,629	28,645	**28,025**	(620)	(2.2)
November event	30,329	31,388	**32,510**	1,122	3.6
Christmas	57,689	61,142	**63,377**	2,235	3.7
	217,341	241,812	**260,834**	19,022	7.9
Deduct weeks double-counted where events overlap	(42,734)	(48,768)	**(52,633)**	(3,865)	(7.9)
	174,607	193,044	**208,201**	15,157	7.9

* In fiscal '99, Xmas television advertising was introduced. In fiscal '98, there were 2 incremental marketing events over fiscal '97 – the Spring Guide and fall television.

Table 3 illustrates that 77.9% (77.4% fiscal '98 and 79.6% fiscal '97) of the Company's Mark's Division Canadian corporate store sales were supported by marketing activities and that 85.2% of the fiscal '99 sales increase over fiscal '98 occurred during marketing events. Thus, marketing activities continue to drive sales growth.

The Mark's Division also monitors store traffic in about 27% of its stores as well as the average ticket prices on products sold in all stores to assess its marketing activities. In addition, the Mark's Division conducts post mortems on the strengths and weaknesses of each marketing event once it has been completed. The Company also has the opportunity to transfer this technology to the Work World Division as it gets its "Corporate Store" strategy rolling.

Table 4 summarizes the Mark's Division corporate store sales growth by major category of merchandise.

CORPORATE STORE SALES BY CATEGORY

TABLE 4

	52 weeks ended January 25, 1997 ($000s)	Blend %	53 weeks ended January 31, 1998 ($000s)	Blend %	**52 weeks ended January 30, 1999 ($000s)**	Blend %	Fiscal 1999 Increase (Decrease) Over Fiscal 1998 %
Mark's Division*							
Work apparel	13,927	6.3	15,728	6.3	**16,789**	6.3	6.7
Men's tops	41,747	19.0	47,612	19.1	**51,614**	19.3	8.4
Men's jeans	36,045	16.4	36,674	14.7	**36,489**	13.6	(0.5)
Industrial footwear	29,636	13.5	35,076	14.1	**38,104**	14.3	8.6
Accessories**	33,109	15.1	35,761	14.3	**36,333**	13.6	1.6
Casual outerwear**	17,597	8.0	23,778	9.6	**24,471**	9.2	2.9
Industrial outerwear**	12,099	5.5	13,001	5.2	**12,526**	4.7	(3.7)
Men's casual bottoms	10,980	5.1	15,484	6.2	**20,732**	7.8	33.9
Casual footwear**	13,792	6.3	13,528	5.4	**14,311**	5.3	5.8
Ladies' wear**	10,532	4.8	12,673	5.1	**15,683**	5.9	23.8
Other	28	0.0	24	0.0	**84**	0.0	100.0+
	219,492	100.0	249,339	100.0	**267,136**	100.0	7.1
U.S. pilot stores*	1,410		1,675		**1,665**		(0.6)
Work World corporate stores	—		1,002		**14,600**		100.0+
	220,902		252,016		**283,401**		12.5

* Excludes inter-group sales.

** Approximately 15% of the sales in casual outerwear and 5% of the sales in accessories are in ladies' items. Approximately 7% of industrial footwear sales and 20% of casual footwear sales are in ladies' and youth items.

Management's Discussion and Analysis

Clearly, the warmest year globally in 130 to 140 years (David Phillips, senior meteorologist at Environment Canada) has contributed to a poorer than expected sales performance by the Company's Mark's Division in accessories (within the category are gloves, hats, winter socks, winter underwear), casual outerwear, industrial outerwear and casual footwear (within the category are winter boots).

Although not broken down in Table 4, the Company's Work World Division was adversely affected in the same areas. Going forward, the Company will reduce the number of cold weather items it carries marginally, so that it can remain Canada's cold weather store, but be less dependent on winter-related sales. The Company is also in step with the current global trend, especially in the adult segments of the population, away from denim to khakis as can be seen by the sales growth in men's casual bottoms (private label khakis and shorts). While sales in the men's jeans category declined, the decline was mostly in the brand label commodities as sales in the Company's private label denim commodities are still growing. As well, the Mark's Division experienced very strong growth in ladies' wear (private label tops and bottoms).

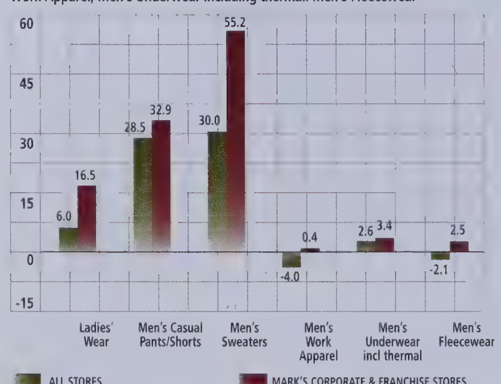
In fiscal '99, the Company's Work World Division expanded dramatically from three to 41 corporate stores as the Company purchased 19 franchise stores from Paul John Enterprises, 12 from other franchisees, opened nine new corporate stores and closed two corporate stores. With this base of 41 corporate stores in its Work World Division, the Company will now be able to embark on the Work World Division's version of "On Concept" real estate activity, merchandise assortment development and marketing events, opportunities that historically have been difficult to exploit in a franchise environment due to the limitations of franchisees' investment capital.

In addition, the Company will be introducing its Dockers® test stores in fiscal 2000, which if successful, will provide the Company with another window of opportunity to penetrate further geographic and occupational segments of the men's wear apparel market and continue over the longer term to increase its market share of the overall men's wear market.

Graphs 6 illustrates Mark's sales growth in selected apparel commodities in fiscal '99 over fiscal '98 compared to CAMM data for calendar '98 over '97 to further highlight the Company's performance against that of its industry. Graph 7 depicts the Company's growth in footwear and selected footwear commodities compared to FMI Canada data.

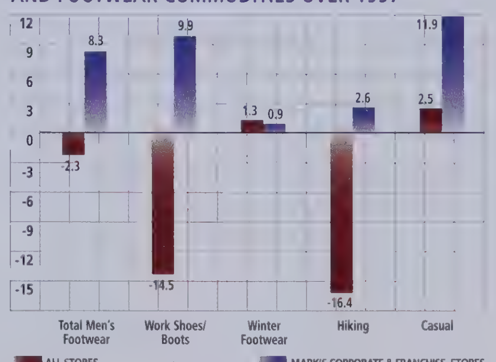
1998 PERCENTAGE INCREASE IN SALES OVER 1997

In Ladies' Wear, Men's Casual Pants & Shorts, Men's Sweaters, Men's Work Apparel, Men's Underwear including thermal: Men's Fleecewear



Graph 6

1998 PERCENTAGE INCREASE IN MEN'S FOOTWEAR AND FOOTWEAR COMMODITIES OVER 1997

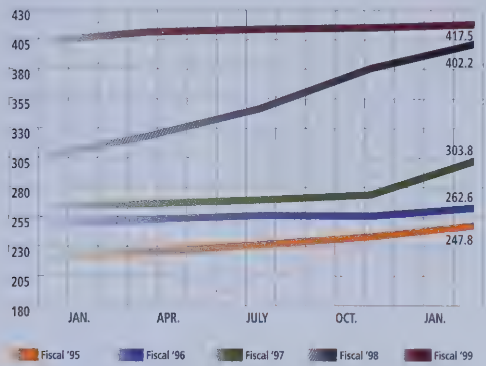


Graph 7

5-YEAR SALES TO JANUARY 30, 1999

Mark's (corporate and franchise) plus Work World stores (franchise and corporate store sales since December 1, 1996) Rolling 12-month

($ millions)



Graph 8

Graph 8 illustrates the Company's sales growth over the last five years.

GROSS MARGIN

Despite a very weak Canadian dollar against the U.S. dollar, an extremely competitive environment as the department stores try to change their blends to a higher apparel component and discount food and hard goods retailers try to make inroads in selected entry-level apparel commodities, the Company managed to maintain its gross margin rate in its Mark's Division. On a consolidated basis, the drag by the Work World Division caused a drop of only two tenths of a point of margin in fiscal '99 compared to fiscal '98. This occurred after the Company posted a 2.5 point improvement in fiscal '98 over fiscal '97.

As can be seen in Table 5, the consolidated gross margin rate change occurred in fiscal '99 over fiscal '98 as a result of slightly higher markdowns and shrink costs offset by slightly lower freight costs.

GROSS MARGIN RATE

Table 5

	52 weeks ended January 25, 1997	53 weeks ended January 31, 1998	**52 weeks ended January 30, 1999**	Fiscal 1999 (Deterioration) Improvement Over Fiscal 1998
Purchase markup	48.2%	49.9%	**49.9%**	0.0%
Freight	(2.1)%	(2.1)%	**(2.0)%**	0.1%
	46.1%	47.8%	**47.9%**	0.1%
Markdowns and customer adjustments	(7.1)%	(6.2)%	**(6.3)%**	(0.1)%
Shrink	(0.8)%	(0.7)%	**(0.9)%**	(0.2)%
Other	(0.2)%	(0.4)%	**(0.4)%**	0.0%
	38.0%	40.5%	**40.3%**	(0.2)%

The purchase markup was maintained in the Mark's Division through better buying domestically and through the continuation of the conversion of the purchases of import merchandise from indirect import purchases to direct import purchases as the cost of the fees, markups and commissions charged by importers exceed the Company's own internal costs by a significant margin. On a regular basis, the Company conducts competitive shops to ensure its products are priced competitively and if pricing adjustments are required, the Company adjusts product sourcing, and if required, product blends so that it can maintain its current margin levels. Through its open-to-buy system, the Company continuously adjusted inventory quantities in the fall of 1998, when an extremely mild winter was experienced in many parts of Canada, so that year-end inventories would not be excessive. Appropriate year-end markdown accruals also were taken so margins going forward would not be impacted by carry-over winter product.

The Company's shrink rates, at less than 1% of sales in each of the last three years, remain below industry averages and are the result of sound receiving and security programs.

Freight costs were improved as the Company's logistic group constantly reviews and amends the Company's freight model.

Since the overall gross margin rate slipped slightly in fiscal '99 from fiscal '98 because of a 35.6% rate in the Work World Division, the entire $12.1 million or 11.9% increase in gross margin dollars is a result of the 12.5% increase in corporate store sales.

The performance of men's casual bottoms, men's tops and ladies' wear accounted for $6.4 million of the fiscal '99 gross margin dollar increase over fiscal '98 and the change from three to 41 corporate stores in the Work World Division during fiscal '99 accounted for another $4.8 million of the gross margin dollar increase.

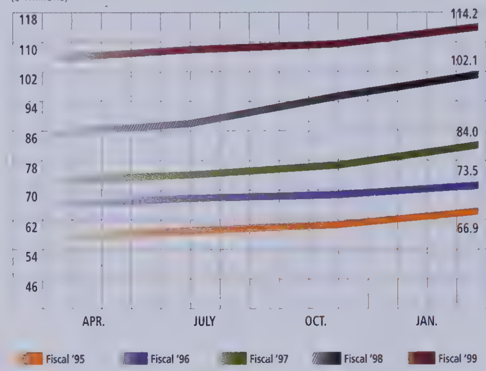
The purchase markup in consolidated corporate store end-of-year inventories improved to 48.8%, up from 48.5% at January 31, 1998 and 46.5% at January 25, 1997. The Company is planning specific activities to continue to moderately improve its margin rate in fiscal 2000.

FRONT LINE EXPENSE

During fiscal '99, front-line expenses increased over the prior year by $10.8 million or 14.5% and increased as a percentage of sales to 30.0% from 29.5%. Front-line expenses also increased as a cost per average retail square foot to $76.20 from $75.44. The purchase and conversion of 31 Work World franchise stores to Work World corporate stores, the opening of nine new Work World corporate stores, and two Work World corporate store closures accounted for $4.3 million or 39.7% of the increase. Within the Mark's Division, the $4.3 million or 7.1% combined increase in staff, occupancy, other, and depreciation and amortization is directly attributable to the 92,673 or 9.0% increase in retail square feet in fiscal '99 over fiscal '98, as stores continue to be brought "On Concept" and new "On Concept" stores continue to be added in keeping with the Company's Strategic Plan. Also, within the Mark's Division, advertising costs increased by $1.3 million this past year, as the division added Christmas season television to its advertising campaign in fiscal '99.

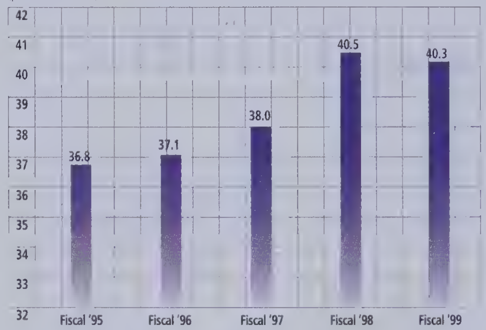
Short-term interest costs in the Mark's Division also escalated in fiscal '99 by $0.9 million as the Company carried over non-fashion sensitive winter products through to the fall of 1998 as mentioned in last year's annual report. With the corporate store initiative in Work World and the Dockers® start up, there will be continued pressure on front-line expenses, but the Company is nevertheless intent on reducing the rate as a percentage of sales in fiscal 2000.

5-YEAR GROSS MARGIN DOLLARS TO JANUARY 30, 1999
Mark's corporate stores and 41 Work World corporate stores by the end of fiscal '99, 3 at the end of fiscal '98 and none in prior years Rolling 12-month
($ millions)



Graph 9

5-YEAR GROSS MARGIN RATE TO JANUARY 30, 1999
Mark's corporate stores and 41 Work World corporate stores by the end of fiscal '99 and 3 at the end of fiscal '98 and none in prior years
(percent of sales)



GRAPH 10

CONSOLIDATED FRONT-LINE EXPENSES

Table 6

	52 weeks ended January 25,1997 ($000s)	53 weeks ended January 31, 1998 ($000s)	% of Sales	Per Avg Retail Sq.ft. ($)	**52 weeks ended January 30, 1999 ($000s)**	**% of Sales**	**Per Avg Retail Sq.ft. ($)**	Fiscal 1999 Increase (Decrease) Over Fiscal 1998 ($000s)	%
Staff	20,049	23,508	9.3	23.87	**25,430**	**9.0**	**22.77**	1,922	8.2
Advertising	9,543	12,664	5.0	12.85	**14,502**	**5.1**	**12.99**	1,838	14.5
Occupancy	19,570	21,862	8.7	22.19	**25,868**	**9.1**	**23.16**	4,006	18.3
Other	10,050	10,902	4.3	11.07	**11,937**	**4.2**	**10.69**	1,035	9.5
Depreciation and amortization	3,811	4,724	1.9	4.80	**5,350**	**1.9**	**4.79**	626	13.3
Interest short-term	1,176	656	0.3	0.66	**2,015**	**0.7**	**1.80**	1,359	100.0+
	64,199	74,316	29.5	75.44	**85,102**	**30.0**	**76.20**	10,786	14.5

FRANCHISE OPERATIONS

Table 7 summarizes the Company's assessment of the contribution it receives from its franchise activities:

FRANCHISE CONTRIBUTION

Table 7

	52 weeks ended January 25, 1997 ($000s)	53 weeks ended January 31, 1998 ($000s)	**52 weeks ended January 30, 1999 ($000s)**	Fiscal 1999 Increase (Decrease) Over Fiscal 1998 ($000s)	(%)
Mark's franchise operations					
Franchise sales	60,682	62,696	**61,801**	(895)	(1.4)
Franchise royalties	3,956	4,054	**3,965**	(89)	(2.2)
Other income	63	42	**20**	(22)	(52.4)
	4,019	4,096	**3,985**	(111)	(2.7)
Expenses:					
Bad debt provisions (recovery) on franchise receivables	142	(7)	**32**	39	100.0+
Estimate of franchise operations share of front-line costs*	110	110	**110**	0	0.0
Estimate of franchise operations share of back-line costs*	3,187	3,036	**3,258**	222	7.3
	3,439	3,139	**3,400**	261	8.3
Contribution by Mark's franchisees	580	957	**585**	(372)	(38.9)
Work World franchise operations from December 1, 1996 onward					
Franchise sales**	22,172	87,495	**72,266**	(15,229)	(17.4)
Franchise royalties**	832	3,281	**2,863**	(418)	(12.7)
Fees from sales of franchises	0	79	**15**	(64)	(81.0)
Other income	130	148	**153**	5	3.4
	962	3,508	**3,031**	(477)	(13.6)
Expenses:					
Bad debt provisions on franchise receivables	18	467	**187**	(280)	(60.0)
Severance and relocation costs	0	435	**0**	(435)	(100.0)
Front-line costs	89	0	**0**	0	0.0
Back-line costs	349	3,193	**3,286**	93	2.9
Other	0	(99)	**127**	226	100.0+
	456	3,996	**3,600**	(396)	(9.9)
Contribution by Work World franchise operations	506	(488)	**(569)**	(81)	(16.6)
Other expenses:					
Acquisition financing costs	60	509	**365**	(144)	(28.3)
Goodwill amortization	35	211	**211**	0	0.0
	95	720	**576**	(144)	(20.0)
Contribution by Work World franchises***	411	(1,208)	**(1,145)**	63	5.2
Total franchise operations	991	(251)	**(560)**	(309)	(100.0+)

* Allocation based on franchise sales as a percentage of total Mark's system sales applied to Mark's back-line costs net of cost recoveries excluding those costs deemed not applicable to franchise operations. The cost of two district managers is assumed for front-line costs related to the operation of Mark's franchise stores.

** 31 Work World franchise stores were converted to corporate stores in fiscal '99 causing a reduction in franchise store sales and royalties. Fiscal '97 numbers are only from the December 1, 1996 acquisition date forward.

*** Excludes $242,452 positive contribution from Work World Division corporate stores in fiscal '99 ($36,000 negative contribution in fiscal '98; not applicable fiscal '97)

During fiscal '99, the Mark's Division franchise operations posted a sales decrease from fiscal '98 of $895,000 or 1.4% as there were two fewer stores operating than in the prior year. See Table 8 and Note 3 to the Consolidated Financial Statements. Same-store sales, excluding week 53 in fiscal '98, were up $2.4 million or 4.0% in fiscal '99 compared to fiscal '98.

In fiscal '99, the contribution to the Mark's Division by the Mark's franchises decreased by $372,000 or 38.9% from the fiscal '98 contribution as royalties decreased with two fewer stores and the back-line costs allocated to the Mark's franchise operations increased. The increase in allocatable back-line costs results from additional costs incurred by the Company as it continues with its initiatives to purchase offshore merchandise directly rather than through importers. This initiative benefits all stores through improved margins in those products, but is not currently providing a payback to the Company from franchisees through increased royalties. A margin charge to both franchise and corporate stores was introduced in September of 1998 to contribute to the recovery of some of these increased back-line costs going forward.

The Mark's franchise operation continues to diminish in significance as part of the Mark's Division operations, as, during fiscal '99, its sales were 18.7% (fiscal '98 20.0%, fiscal '97 21.6%) of the combined division's corporate store and franchise store sales. This franchise operation is very stable and is expected to shrink a little over time, with the occasional franchisee selling his or her store back to the Corporation.

In the Work World Division, the Company embarked on a "Corporate Store" strategy in fiscal '99, as the Company is confident that this will provide better returns than current franchise store returns. As a result, the nine new Work World stores opened in fiscal '99 were corporate stores. In addition, during fiscal '99, this division purchased 31 franchise stores (19 through the acquisition of Paul John Enterprises Ltd.). See Table 8 and Notes 2A and 3 to the Consolidated Financial Statements. The Work World franchise operation in fiscal '99 was once again a negative contributor to the Company, losing $569,000 in fiscal '99 ($488,000 in fiscal '98 and contributing a profit of $506,000 in fiscal '97) before acquisition financing costs and goodwill amortization. The newly opened corporate stores in this division and the purchased franchise stores contributed a positive $242,452 in pre-tax earnings in fiscal '99.

Table 8 shows the change in the number of franchise stores during fiscal '99, fiscal '98 and fiscal '97:

CHANGES IN THE NUMBERS OF FRANCHISE STORES
Table 8

	52 weeks ended January 25, 1997	53 weeks ended January 31, 1998	**52 weeks ended January 30, 1999**
Mark's franchise stores			
Number of stores at beginning of year	38	33	**31**
Number of stores closed	(2)	(1)	**0**
Number of stores purchased as corporate stores	(3)	(1)	**(2)**
Number of stores at end of year	33	31	**29**
Work World franchise stores			
Number of stores at beginning of year	0	150	**139**
Adjustment to prior year store count	0	0	**1**
Number of stores acquired December 1, 1996	157	0	**0**
Number of stores closed	(7)	(12)	**(4)**
Number of stores purchased as corporate stores	0	(3)	**(31)**
Number of new stores opened	0	4	**0**
Number of stores at end of year	150	139	**105**
Total number of franchise stores	183	170	**134**

BACK-LINE EXPENSES

In total, back-line expenses have decreased by $0.8 million or 3.4% from fiscal '98 amounts. Included in the fiscal '98 numbers are $0.4 million of costs related to the unsuccessful and unsolicited bid for the Company's Common Shares. Thus, with a $15.3 million increase in total system sales in fiscal '99 over fiscal '98, year over year back-line expenses, net of cost recoveries, excluding costs related to the unsuccessful and unsolicited bid for the Company's Common Shares in fiscal '98, decreased by $0.4 million.

The major contributing items to the decline in back-line expenses from the prior year were the managing of staff costs down in Mark's and the improvement in franchise bad debts management in the Work World Division. On other lines, in the Mark's Division, the increase in computer service costs were offset by the decrease in interest, long-term, and, in the Work World Division, the increased staff was offset by the decrease in severance and relocation costs.

The Company is moving to a divisional structure to better exploit and manage its opportunities. Thus, in fiscal 2000, direct back-line costs will be split among the Mark's, Work World and Dockers® Divisions and indirect back-line costs will remain as unallocated corporate costs.

In fiscal '99, back-line costs excluding interest long-term and depreciation and amortization are down to 4.3% of total system sales (January 31, 1998 4.7%; January 25, 1997 5.0%).

BACK-LINE EXPENSES
Table 9

	52 weeks ended January 25, 1997	53 weeks ended January 31, 1998			52 weeks ended January 30, 1999			Fiscal 1999 Increase (Decrease) Over Fiscal 1998	
	($000s)	($000s)	% of Corp Sales*	% of Corp & Franc Sales*	($000s)	% of Corp Sales*	% of Corp & Franc Sales*	($000s)	%
Mark's									
Staff	7,497	8,766	3.5	2.8	**8,483**	**3.2**	**2.6**	(283)	(3.2)
Occupancy	833	950	0.4	0.3	**939**	**0.3**	**0.3**	(11)	(1.2)
Other	2,204	3,412	1.4	1.1	**3,406**	**1.3**	**1.0**	(6)	(0.2)
Computer services									
Services	3,406	883	0.4	0.3	**445**	**0.2**	**0.1**	(438)	(49.6)
Depreciation & amortization	0	1,485	0.6	0.5	**2,050**	**0.8**	**0.6**	565	38.0
Interest – long term	0	540	0.2	0.1	**659**	**0.2**	**0.2**	119	22.0
Software development & maintenance costs	727	622	0.2	0.2	**768**	**0.3**	**0.2**	146	23.5
Depreciation and amortization	570	596	0.2	0.2	**627**	**0.2**	**0.2**	31	5.2
Interest – long term	602	499	0.2	0.2	**273**	**0.1**	**0.1**	(226)	(45.3)
	15,839	17,753	7.1	5.7	**17,650**	**6.6**	**5.3**	(103)	(0.6)
Costs related to the unsuccessful and unsolicited bid for the Company's Common Shares	0	416	0.1	0.1	**0**	**0.0**	**0.0**	(416)	(100.0)
	15,839	18,169	7.2	5.8	**17,650**	**6.6**	**5.3**	(519)	(2.9)
Franchise bad debt provisions	142	(7)	0.0	0.0	**32**	**0.0**	**0.0**	39	100.0+
Total Mark's back-line expenses	15,981	18,162	7.2	5.8	**17,682**	**6.6**	**5.3**	(480)	(2.7)
Work World**									
Staff	205	1,448		1.7	**1,911**		**2.2**	463	32.0
Occupancy	2	28		0.0	**59**		**0.1**	31	100.0+
Other	122	1,254		1.4	**1,324**		**1.5**	70	5.6
Computer Services	0	63		0.1	**126**		**0.1**	63	100.0
Software development & maintenance costs	0	193		0.2	**138**		**0.2**	(55)	(28.5)
Depreciation & amortization	42	290		0.3	**350**		**0.4**	60	20.7
Interest – long term	71	637		0.7	**418**		**0.5**	(219)	(34.4)
	442	3,913		4.4	**4,326**		**5.0**	413	10.6
Severance and relocation costs	0	435		0.5	**0**		**0.0**	(435)	(100.0)
	442	4,348		4.9	**4,326**		**5.0**	(22)	(0.5)
Franchise bad debt provisions	18	467		0.5	**187**		**0.2**	(280)	(60.0)
Total Work World back-line expenses	460	4,815		5.4	**4,513**		**5.2**	(302)	(6.3)
Consolidated back-line expenses	16,441	22,977		5.7	**22,195**		**5.3**	(782)	(3.4)

* In the Mark's Division, percentage of sales calculations are Mark's Division back-line expenses divided by Mark's Division corporate store sales in the "% of Corp Sales" column and by Mark's Division corporate and franchise stores sales in the "% of Corp and Franc Sales" column. The Mark's Division sales exclude inter-group sales. In the Work World Division, Work World Division percentage of sales calculated are back-line expenses divided by corporate and franchise store sales. The percentage for consolidated back-line expenses are consolidated back-line expenses divided by total system sales for both divisions.

** Work World back-line expenses in fiscal '97 are for two months only. In fiscal '99, $466,000 of Paul John Enterprises Ltd. back-line expenses are included from the effective date of acquisition November 1, 1998.

Management's Discussion and Analysis

CONSOLIDATED PRE-TAX EARNINGS AND AFTER-TAX NET EARNINGS

The combination of the $12.1 million increase in gross margin dollars, $10.8 million increase in front-line expenses, $0.5 million decrease in franchise royalties and other, $0.8 million decrease in back-line expenses and the $3.0 million provision for closure of the U.S. pilot stores produced pre-tax earnings in fiscal '99 of $11.0 million, some $1.4 million or 11.4% below the prior year. The pre-tax amount by operation is outlined in Table 10.

Mark's Canadian operations posted a year-over-year growth in pre-tax income of 7.3% in a very poor "winter year" as that division's "Merchandise Sourcing" and store "On Concept" strategies continue to prove their effectiveness. Table 11 shows the after-tax growth in the Mark's Canadian operations of $0.6 million or 2¢ per Common Share and the after-tax effect of the U.S. closure of $1.7 million or a 6¢ per Common Share loss. There was also a 1¢ per Common Share improvement in the other numbers. The year-over-year total tax rate is higher as the losses are being tax-affected at a lower rate. Graph 11 shows the growth in pre-tax earnings over the last five years.

CONSOLIDATED PRE-TAX EARNINGS

Table 10

	52 weeks ended January 25, 1997 ($000s)	53 weeks ended January 31, 1998 ($000s)	**52 weeks ended January 30, 1999 ($000s)**	Fiscal 1999 Increase (Decrease) Over Fiscal 1998 ($000s)	%
Mark's Canada					
Canadian operations	8,792	14,868	**15,954**	1,086	7.3
U.S. branch*	—	(1,100)	**(1,094)**	6	
Provision for closure of U.S. pilot stores	—	—	**(2,961)**	(2,961)	
Work World acquisition financing**	(60)	(509)	**(365)**	144	
Work World goodwill amortization**	(35)	(211)	**(211)**	—	
	8,697	13,048	**11,323**	(1,725)	(13.2)
Work World Canada**	506	(524)	**(327)**	197	
Mark's U.S. entity*	(893)	(120)	**—**	120	
Consolidated pre-tax income	8,310	12,404	**10,996**	(1,408)	(11.4)

* Operations of the U.S. subsidiary were converted to a branch operation of Mark's Canada on March 29, 1997.
** There are only two months of operations for Work World in fiscal '97. In fiscal '99, three months' results of Paul John Enterprises Ltd. are included in the Work World numbers.

CONSOLIDATED AFTER-TAX EARNINGS

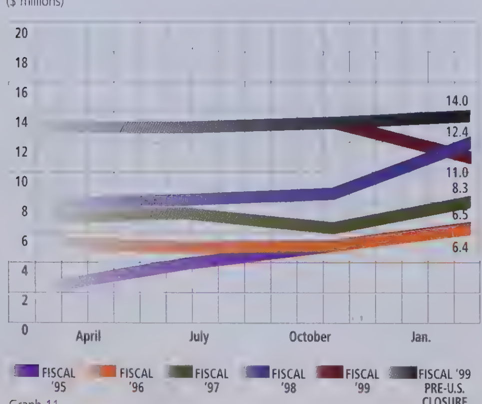
Table 11

	52 weeks ended January 25, 1997 ($000s)	53 weeks ended January 31, 1998 ($000s)	Fiscal '98 Tax Rate %	**52 weeks ended January 30, 1999 ($000s)**	**Fiscal '99 Tax Rate %**	Fiscal 1999 Increase (Decrease) Over Fiscal 1998 ($000s)	%
Mark's Canada							
Canadian operations	4,613	8,080	45.7	**8,644**	**45.8**	564	7.0
U.S. branch*	—	(613)	44.3	**(614)**	**43.9**	(1)	
Provision for closures of U.S. pilot stores	—	—	—	**(1,661)**	**43.9**	(1,661)	
Work World acquisition financing**	(33)	(284)	44.3	**(205)**	**43.9**	79	
Work World goodwill amortization**	(35)	(211)	N/A	**(211)**	**N/A**	—	
	4,545	6,972	46.6	**5,953**	**47.4**	(1,019)	(14.6)
Work World Canada**	271	(301)	42.6	**(201)**	**38.6**	100	
Mark's U.S. entity*	(893)	(120)	N/A	**—**	**N/A**	120	
Consolidated after-tax income	3,923	6,551	47.2	**5,752**	**47.7**	(799)	(12.2)

* Operations of the U.S. subsidiary were converted to a branch operation of Mark's Canada on March 29, 1997.
** There are only two months of operations for Work World in fiscal '97. In fiscal '99, three months' results of Paul John Enterprises Ltd. are included in the Work World numbers.

5-YEAR PRE-TAX NET INCOME JANUARY 30, 1999

Rolling 12-month
($ millions)



Graph 11

Following are Table 12, a three-year operations table, and Table 13, a three-year table of front-line operations by division, allowing readers to review the Company's performance by season and by division.

THREE-YEAR OPERATIONS

Table 12

(dollar amounts in thousands, except sales per retail square foot and gross margin return on space)

	52 weeks ended January 25, 1997			53 weeks ended January 31, 1998			52 weeks ended January 30, 1999		
	Spring	Fall	Total	Spring	Fall	Total	Spring	Fall	Total
Consolidated data									
Corporate and franchise sales	$ 99,489	$204,267	$ 303,756	$141,764	$ 260,443	$402,207	$152,711	$ 264,757	$ 417,468
Corporate sales	$ 77,847	$143,055	$ 220,902	$ 86,592	$ 165,424	$252,016	$100,105	$ 183,296	$ 283,401
Gross margin (%)	37.1	38.5	38.0	39.7	41.0	40.5	40.4	40.3	40.3
Front-line expenses	$ 27,513	$ 36,686	$ 64,199	$ 31,077	$ 43,239	$ 74,316	$ 35,975	$ 49,127	$ 85,102
Front-line contribution	$ 1,344	$ 18,426	$ 19,770	$ 3,262	$ 24,515	$ 27,777	$ 4,463	$ 24,673	$ 29,136
Front-line contribution (%)	1.7	12.9	8.9	3.8	14.8	11.0	4.5	13.5	10.3
Franchise royalties and other	$ 1,445	$ 3,536	$ 4,981	$ 2,708	$ 4,896	$ 7,604	$ 2,717	$ 4,299	$ 7,016
Back-line expenses	$ 7,175	$ 9,266	$ 16,441	$ 10,407	$ 12,570	$ 22,977	$ 10,863	$ 11,332	$ 22,195
Provision for closure of U.S. pilot stores	—	—	—	—	—	—	—	$ 2,961	$ 2,961
Pre-tax earnings (loss)	$ (4,386)	$ 12,696	$ 8,310	$ (4,437)	$ 16,841	$ 12,404	($3,683)	$ 14,679	$ 10,996
Mark's corporate stores									
Open at start of period	103	106	103	108	110	108	115	116	115
Opened	3	2	5	3	4	7	1	7	8
Franchise purchases	3	--	3	—	1	1	1	1	2
Closed	(3)	--	(3)	(1)	—	(1)	(1)	—	(1)
Open at end of period	106	108	108	110	115	115	116	124	124
Work World corporate stores									
Open at end of period	—	—	—	1	3	3	10	41	41
Franchise stores									
Open at end of period									
Mark's	34	33	33	32	31	31	30	29	29
Work World	—	150	150	144	139	139	129	105	105
Mark's corporate stores sales per retail sq. ft.*	$ 92	$ 155	$ 247	$ 92	$ 161	$ 253	$ 95	$ 156	$ 251
Work World corporate stores sales per retail sq. ft.***			—			—			—
Mark's corporate stores inventory at retail									
highest	$ 99,783	$121,814	$ 121,814	$104,718	$ 153,395	$153,395	$139,129	$ 176,885	$ 176,885
lowest	$ 81,330	$ 81,650	$ 81,330	$ 81,614	$ 112,315	$ 81,614	$112,406	$ 119,403	$ 112,406
Mark's corporate stores inventory turnover (times)	0.9	1.4	2.3	0.9	1.3	2.2	0.8	1.1	1.9
Operating line**									
- highest usage	$ 17,800	$ 24,200	$ 24,200	$ 22,000	$ 24,600	$ 24,600	$ 30,491	$ 44,277	$ 44,277
- lowest usage	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 842	$ 0	$ 0
Mark's corporate stores total sales area (sq. ft.)									
Stores open at beginning of year			814,977			927,972			1,032,594
Opened/expanded/purchased from franchisees			128,170			115,422			98,738
Closed/downsized			(15,175)			(10,800)			(6,065)
Stores open at end of year			927,972			1,032,594			1,125,267
Work World corporate stores total sales area (sq. ft.)									
Stores open at beginning of year			—			—			5,929
Opened/expanded/purchased from franchisees			—			5,929			125,281
Closed/downsized			—			—			—
Stores open at end of year			—			5,929			131,210
Mark's corporate store sales increase (%)			11.4			13.6			7.1
Mark's corporate store same store sales increase (%)			4.2			8.3			4.8
Mark's gross margin return on investment (times)			1.6			1.7			1.4
Mark's gross margin return on space ($ per sq. ft)			$ 96.4			$ 103.7			$ 101.1
Mark's corporate and franchise stores' market share of men's stores market (%)			13.1%			14.1%			14.9%

* Calculated on stores open and at the same store size for an entire season. The Company breaks the year down into two seasons: Spring – February though July; Fall – August through January.

** Excludes outstanding letters of credit, which had a highest outstanding amount of $8,786,515 in June, 1998.

*** All Work World corporate stores are part-year stores in fiscal '99 and '98 and thus, no sales per square foot amount has been calculated. There were no Work World corporate stores in fiscal '97.

THREE-YEAR FRONT-LINE OPERATIONS BY DIVISION

Table 13

(dollar amounts in thousands, except sales per resident and sales per retail sq. ft.)	Mark's Division Western Canada	Ontario	Quebec/ Atlantic	Subtotal	U.S. Pilot	Work World***	Total
Sales - total system****							
Fiscal 1999	**$ 123,129**	**$ 135,828**	**$ 69,980**	**$ 328,937**	**$ 1,665**	**$ 86,866**	**$ 417,468**
Fiscal 1998	$ 123,496	$ 126,035	$ 62,504	$ 312,035	$ 1,675	$ 88,497	$ 402,207
Fiscal 1997	$ 114,302	$ 111,567	$ 54,305	$ 280,174	$ 1,410	$ 22,172	$ 303,756
Total systems sales per resident							
Fiscal 1999	**$ 13.66**	**$ 11.91**	**$ 7.12**	**$ 10.87**	**N/A**	**$ 3.89**	**$ 13.73**
Fiscal 1998	$ 13.79	$ 11.13	$ 6.36	$ 10.37	N/A	$ 3.99	$ 13.29
Fiscal 1997	$ 12.79	$ 9.86	$ 5.53	$ 9.31	N/A	N/A	$ 9.31
Sales – corporate stores****							
Fiscal 1999	**$ 102,621**	**$ 118,448**	**$ 46,067**	**$ 267,136**	**$ 1,665**	**$ 14,600**	**$ 283,401**
Fiscal 1998	$ 99,249	$ 110,039	$ 40,051	$ 249,339	$ 1,675	$ 1,002	$ 252,016
Fiscal 1997	$ 89,363	$ 96,322	$ 33,807	$ 219,492	$ 1,410	N/A	**$ 220,902**
Corporate store sales per retail sq. ft.*							
Fiscal 1999	**$ 241**	**$ 273**	**$ 224**	**$ 252**	**$ 108**	**N/A**	**$ 251**
Fiscal 1998	$ 253	$ 267	$ 234	$ 256	$ 125	N/A	$ 253
Fiscal 1997	$ 253	$ 258	$ 212	$ 250	$ 106	N/A	$ 247
Sales – franchise stores							
Fiscal 1999	**$ 20,508**	**$ 17,380**	**$ 23,913**	**$ 61,801**	**N/A**	**$ 72,266**	**$ 134,067**
Fiscal 1998	$ 24,247	$ 15,996	$ 22,453	$ 62,696	N/A	$ 87,495	$ 150,191
Fiscal 1997	$ 24,939	$ 15,245	$ 20,498	$ 60,682	N/A	$ 22,172	$ 82,854
Front-line contribution							
Fiscal 1999	**10.8%**	**12.9%**	**6.3%**	**10.9%**	**(40.0)%**	**4.0%**	**10.3%**
Fiscal 1998	12.2%	13.1%	5.2%	11.5%	(54.6)%	6.3%	11.0%
Fiscal 1997	11.3%	10.8%	0.5%	9.4%	(52.8)%	N/A	8.9%
Franchise royalties and other							
Fiscal 1999	**$ 1,343**	**$ 1,075**	**$ 1,567**	**$ 3,985**	**N/A**	**$ 3,031**	**$ 7,016**
Fiscal 1998	$ 1,620	$ 1,001	$ 1,475	$ 4,096	N/A	$ 3,508	$ 7,604
Fiscal 1997	$ 1,713	$ 968	$ 1,338	$ 4,019	N/A	$ 962	$ 4,981
Net front-line contribution from operations							
Fiscal 1999	**$ 12,390**	**$ 16,346**	**$ 4,472**	**$ 33,208**	**$ (668)**	**$ 3,612**	**$ 36,152**
Fiscal 1998	$ 13,698	$ 15,459	$ 3,567	$ 32,724	$ (914)	$ 3,571	$ 35,381
Fiscal 1997	$ 11,771	$ 11,332	$ 1,518	$ 24,621	$ (744)	$ 874	$ 24,751
Inventory turnover (times)							
Fiscal 1999	**2.0**	**1.9**	**1.8**	**1.9****	**1.1**	**1.1**	**1.8**
Fiscal 1998	2.3	2.5	2.0	2.2**	1.1	N/A	2.2
Fiscal 1997	2.5	2.6	2.2	2.3**	0.8	N/A	2.3
Number of stores at end of year Corporate/Franchise							
Fiscal 1999	**48/11**	**47/9**	**27/9**	**122/29**	**2/0**	**41/105**	**165/134**
Fiscal 1998	44/13	47/9	23/9	114/31	1/0	3/139	118/170
Fiscal 1997	41/15	44/9	22/9	107/33	1/0	0/150	108/183

N/A Not applicable.

* Calculated on stores open and at the same store size for an entire season. The Company breaks the year down into two seasons: Spring – February though July; Fall – August through January.

** Calculation based on the compilation of regional data plus inventory in the Company's corporate distribution center.

*** For fiscal '97, includes operations from December 1, 1996, the effective date of the Work World acquisition. In fiscal '99, the 31 franchise stores acquired including the 19 from Paul John Enterprises Ltd. appear as franchise stores until their respective purchase dates and as corporate stores thereafter.

****Excludes inter-group sales

Consolidated Balance Sheets

The Company's consolidated balance sheet as at January 30, 1999 shows that the Company's total assets are up $27.4 million or 25.9% over January 31, 1998, due mainly to increases in merchandise inventories, capital assets, cash, future income tax assets and goodwill on franchise store purchases.

The $16.9 million or 28.1% increase in merchandise inventories as reflected in Table 14 is the result of the net addition of 38 corporate stores, or 125,281 corporate store retail square feet, in the Work World Division, the net addition of nine corporate stores or a 92,673 increase in retail square feet from new and refurbished stores in the Mark's Division, and a sales shortfall to plan in both divisions in winter basic commodities due to the exceptionally warm winter experienced globally.

CONSOLIDATED MERCHANDISE INVENTORIES

Table 14

	As at January 25, 1997	As at January 31, 1998	**As at January 30, 1999**	Fiscal 1999 Increase (Decrease) Over Fiscal 1998	
	($000s)	($000s)	**($000s)**	($000s)	(%)
Mark's – Canadian operations	43,193	58,397	**62,773**	4,376	7.5
Mark's – U.S. operations	795	695	**754**	59	8.5
Work World	52	1,016	**13,455**	12,439	100.0+
	44,040	60,108	**76,982**	16,874	28.1

MERCHANDISE INVENTORIES PER RETAIL SQUARE FOOT

Table 15

	Fiscal 1997	Fiscal 1998	**Fiscal 1999**	Fiscal 1999 Increase (Decrease) Over Fiscal 1998 (%)
Mark's (Canada and U.S.)				
Inventory at cost per retail sq. ft. at year end (includes warehouse inventory)*	$ 47.40	$ 57.23	**$ 56.46**	(1.4)
Average inventory at cost per avg. retail sq. ft. throughout the year (includes warehouse inventory)	$ 60.22	$ 61.29	**$ 69.84**	14.0
Inventory turnover (times)	2.25	2.20	**1.90**	(13.6)
Weighted average retail sq. ft. throughout the year	872,410	981,851	**1,069,055**	8.9
Year-end retail sq. ft.	927,972	1,032,594	**1,125,267**	9.0
Work World Division				
Inventory at cost per retail sq. ft. at year end (excludes warehouse inventory)*	N/A	N/A	**$ 82.63**	100.0+
Inventory turnover (times)	N/A	N/A	**1.13**	100.0+
Year-end retail sq. ft.	N/A	5,929	**131,210**	100.0+

N/A Not applicable

* In the Mark's Division, over 80% of warehouse inventory is for corporate stores and therefore was included in the inventory per retail square foot calculations. In the Work World Division, only 17% by year end and less through the year of the warehouse inventory in fiscal '99 and none in the prior years was for corporate stores and therefore, it was excluded from the inventory per retail square foot calculations.

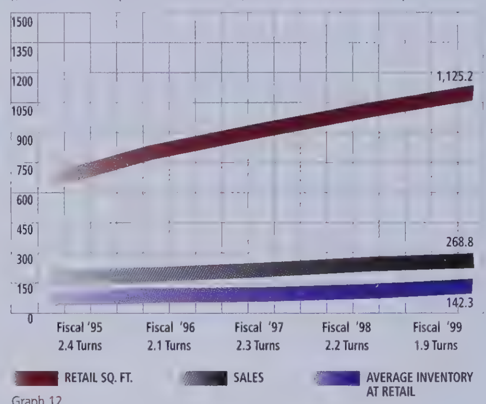
Table 15 illustrates that the Mark's Division managed to achieve a closing inventory per retail square foot slightly lower in fiscal '99 than in fiscal '98 despite the even milder winter in fall 1998 (August 2 through January 30) as compared to fall 1997 (July 27 through January 31), both of which were unseasonably mild. In fact, the year-over-year growth in inventory in the Mark's Division is less than the growth in retail square feet. The excess winter inventory in the Mark's Division at year end is in non-fashion sensitive winter products, which has been properly valued with normal purchase markups and it will be brought into balance by further reducing fall 1999 (fiscal 2000) purchases in those selected commodities. As at January 30, 1999, this division had 46 of its vendors on its Automatic Re-ordering System covering 591 styles or 32% of its total sales volume.

Management's Discussion and Analysis

The Work World Division's merchandise inventories per retail square foot are higher than in the Mark's Division as these stores are much smaller in size and thus, must have a higher density of inventory to meet customer demand. As well, the turnover rate is somewhat misleading in that most of the 41 corporate stores were corporate stores for only a small portion of the year. As the Company has stated in previous annual reports, while it will continue to monitor inventory turnover and exert extra effort to improve in this area, it will do so carefully, in the Mark's Division because today's consumers, subject to increasing time pressures, expect that destination stores (Mark's Division concept) will always be "in stock" for them whenever they find the time to shop.

The $3.5 million or 17.2% increase in the Company's capital assets as at January 30, 1999 compared to January 31, 1998 is the result of the Company's continuing "On Concept" store program in its Mark's Division, the start up of the "Corporate Store" strategy in the Work World Division, the continued investment in systems for both divisions, as well as the capital assets included with the purchase of the Paul John franchise stores and other franchise stores, primarily in the Work World Division.

5-YEAR INVENTORY TURNS
Mark's Cdn. and U.S. Corporate Store Operations; excludes Work World
($ millions & retail square feet in thousands)



Graph 12

CAPITAL ASSETS
Table 16

	Fiscal 1997 ($000s)	Fiscal 1998 ($000s)	**Fiscal 1999 ($000s)**
Opening capital assets	11,853	14,608	**20,072**
Mark's Division store "On Concept" and other additions			
Cash	2,323	874	**2,371**
Capital leases	3,509	4,089	**3,790**
Work World Division "Corporate Store" strategy and other additions			
Cash	—	—	**812**
Capital leases	—	—	**429**
System capital lease additions	—	1,065	**2,750**
Acquisition of computer equipment under capital lease on termination of outsourcing agreement	—	5,281	**—**
Work World acquisition	587	—	**—**
Paul John acquisition	—	—	**781**
Franchise purchases	91	69	**510**
	18,363	25,986	**31,515**
Provision for closure of U.S. pilot stores	—	—	**(797)**
Disposition of capital assets	(75)	(217)	**(160)**
	18,288	25,769	**30,558**
Depreciation net of sale leaseback transactions	(3,680)	(5,697)	**(7,027)**
Closing capital assets	14,608	20,072	**23,531**

The Company's year-end cash increased by $2.4 million. See Management's Discussion and Analysis to the Consolidated Statements of Cash Flows.

During fiscal '99, the Company's future tax assets increased by $1.3 million, primarily as a result of the increase in temporary differences between the accounting and tax bases of capital assets. See Notes 1M and 18 to the Consolidated Financial Statements. As well, during fiscal '99, the Company's goodwill prior to accumulated amortization, as summarized in Note 8 of the Consolidated Financial Statements, increased by $1.9 million as $0.3 million of goodwill was created by the purchase of Paul John Enterprises. As well, at the time of purchase, $0.6 million was on the Paul John Enterprises balance sheet and another $1.0 million was created on the purchase of some of the 14 other franchise stores during fiscal '99.

On the liability side of the balance sheet, most of the $20.8 million or 35.4% increase in total liabilities is a result of the $10.3 million or 30.9% increase in accounts payable and accrued liabilities and the $12.2 million or 68.3% increase in long-term debt (current and long-term portion combined). The increase in accounts payable and accrued liabilities relates primarily to the increases in inventory.

The $5.0 million of syndicated term bank financing obtained in December of 1998 and the $5.0 million of syndicated term bank financing used for both the purchase price and working capital components of the Paul John purchase accounts for 82.0% of the increase in long-term debt (current and long-term portions combined).

About 31.7% of the above-noted $20.8 million increase in total debt was offset by the $5.8 million addition of after-tax earnings and the $0.8 million increase in capital stock, resulting from the exercise of employee stock options. The increase in debt at a more rapid rate than the increase in equity, incurred primarily to fund the "Corporate Store" strategy in the Work World Division, including the purchase of Paul John Enterprises (19 stores) and 12 other Work World franchise stores, has caused the Company's 12-month moving average funded debt-to-equity ratio to slip to 0.92:1 at January 30, 1999 (0.71:1 January 31, 1998; 0.51:1 January 25, 1997), which is offside the Company's goal of no more than 0.90:1. In fiscal 2000 the goal is being revised to 1-to-1.

LONG-TERM DEBT (CURRENT AND LONG-TERM)

Table 17

	Fiscal 1997 ($000s)	Fiscal 1998 ($000s)	**Fiscal 1999 ($000s)**
Opening long-term debt (current and long-term)	4,274	14,238	**17,848**
Store "On Concept" financing (mostly capital leases)			
Mark's Division	3,509	4,077	**3,790**
Work World Division	—	—	**429**
Landlord leasehold loans	—	12	**259**
Syndicated bank term loan	—	—	**5,000**
Paul John acquisition (syndicated bank term loan)			
Purchase price portion	—	—	**2,250**
Working capital portion	—	—	**2,750**
Work World acquisition financing			
Purchase price portion	7,000	—	**—**
Debt assumed	204	—	**—**
System capital lease financing	—	1,065	**2,750**
Capital lease debt assumed on computer equipment on termination of outsourcing agreement	—	5,281	**—**
	14,987	24,673	**35,076**
Principal repayments and capital lease payments	(749)	(3,825)	**(5,032)**
Conversion of subordinated debt to equity	—	(3,000)	**—**
Closing long-term debt (current and long-term)	14,238	17,848	**30,044**
Current portion	2,286	4,434	**7,992**
Long-term portion	11,952	13,414	**22,052**
	14,238	17,848	**30,044**

The Company has reduced its capital expenditure plans in fiscal 2000 to ensure that this ratio does not continue to slip at the same rate as it has in the past year. In addition, the Company will be focused on asset management, particularly inventory levels, in fiscal 2000. As well, the Company is in the process of closing its two U.S. pilot stores, so that it has only one development project on the go at a time, which this coming year will be the Dockers® four- or five-store test. Should the Company achieve its optimistic forecast in fiscal '99, its 12-month moving average funded debt-to-equity ratio should come in at 1.13-to-1.

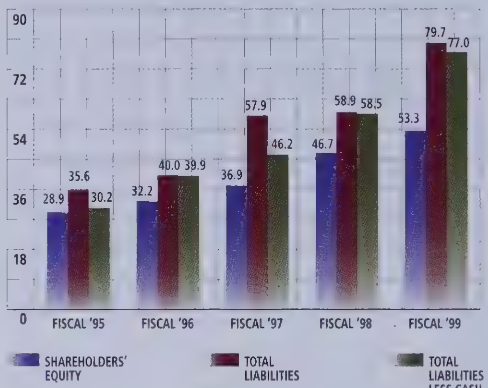
The Company's Consolidated Balance Sheet still remains strong with a current ratio as at January 30, 1999 of 1.70-to-1 compared to 1.71-to-1 at January 31, 1998 and 1.55-to-1 at January 25, 1997 and to the Company's goal of a minimum of 1.50-to-1.

The total liabilities-to-equity ratio at January 30, 1999 is 1.49-to-1 compared to 1.26-to-1 at January 31, 1998 and 1.57-to-1 at January 25, 1997 and compares to the Company's goal of no more than 1.75-to-1.

Consolidated Statements of Cash Flows

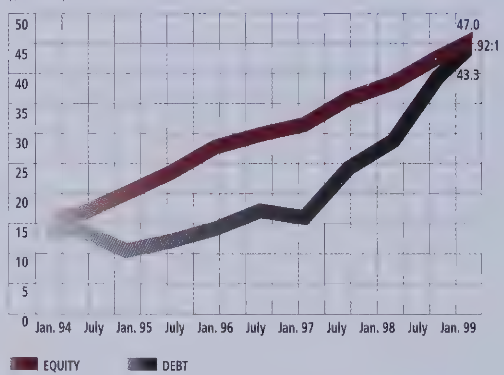
During the year ended January 30, 1999, the Company generated $15.8 million in funds flow from operations compared to $13.6 million in the prior year, representing a 16.2% increase. Excluding the non-cash provision for the closure of the U.S. pilot stores, some of which will become cash outflows in fiscal 2000, there is an $0.8 million or 5.5% decrease in funds flow from operations compared to fiscal '98. Non-cash working capital changes net of the working capital acquired on the Paul John acquisition and franchise purchases drew on $8.9 million or 56.3% of the cash flow from operations, primarily for merchandise inventories. This resulted in a net inflow from total operations of $6.9 million compared to a net outflow from operations of $6.0 million one year ago. The Company then sourced $10.3 million in long-term

5-YEAR CAPITAL STRUCTURE
($ millions)



Graph 13

5-YEAR FUNDED DEBT TO EQUITY TO JANUARY 30, 1999
12-month moving average
($ millions)



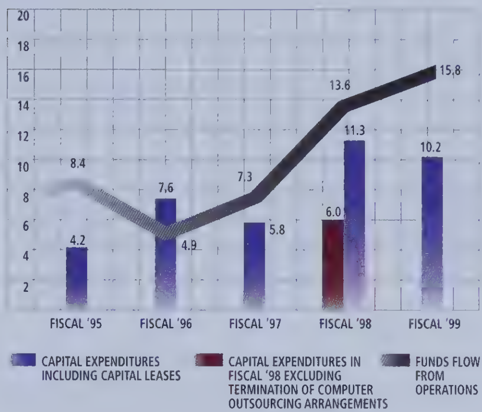
Graph 14

debt (mostly bank financing) and $7.0 million in capital lease funding to fund the $2.2 million Paul John acquisition (19 franchise stores), the $10.2 million expenditures on capital assets (including capital leases) and the $4.3 million needed to purchase 14 other franchise stores. The remaining $0.6 million of debt raised, the $0.8 million of cash from the issuance of share capital, and the remaining $6.9 million net inflow from operations, were used to make $5.0 million of capital lease and long-term debt repayments, to invest $0.7 million in other assets and to cover the $0.2 million disposition of capital assets. The result was a $2.4 million increase in cash and cash equivalents in fiscal '99. This is compared to an $11.4 million decrease in cash and cash equivalents in fiscal '98 caused by an outflow from operations, primarily merchandise inventory related, long-term debt and capital lease repayments, some unfunded

purchases of capital assets and franchise store purchases in fiscal '98.

During the coming year, the Company is planning to invest $4.5 million in major store projects, $2.7 million in front-line and back-line systems equipment and $0.6 million of general capital expenditures. This total investment in capital assets is expected to be funded through capital lease financing. The Company is also forecasting $8.2 million to $10.5 million investment in non-cash working capital, a $0.5 million investment in share repurchases net of new equity on the exercise of stock options during the year and $9.0 million of capital lease and long-term debt principal repayments. The Company expects to meet these cash requirements from its forecasted $16.6 million to $18.2 million of cash flow from operations and $1.0 million of new long-term debt financing. The Company also has operating credit facilities as described in Note 9 to the Consolidated Financial Statements. See forecast on page 25 and related assumptions on page 24.

5-YEAR CASH FLOW FROM OPERATIONS AND CAPITAL EXPENDITURES
Including capital leases
($ millions)



Graph 15

RISK AND UNCERTAINTIES

Following is a table of the External and Internal risk factors that affect the Company's business, and ultimately, its profitability.

RISK FACTORS

External	Internal
Consumer environment	Customer service
Competition	Sales blend
Seasonality	Marketing strategies
Weather	Store openings and closings
Merchandise sourcing	Expense rates in payroll, advertising, occupancy and systems
Foreign exchange rates	Inventory levels
Interest rates	Capital expenditure investments in stores and systems
Unsolicited offer to purchase the Company's outstanding Common Shares	"Corporate Store" strategy in the Work World Division
Year 2000 compliance by the providers of merchandise and services to the Company	Liabilities-to-equity levels
Share trading information	The introduction of new divisions under new store banners
	Foreign exchange exposure
	Interest rate exposure
	Number and strength of franchise stores
	Automatic Replenishment
	Year 2000 compliance for the Company's computer systems

Management's responsibility is to mitigate **external risk factors** to the extent possible, and to achieve an appropriate balance among the **internal risk factors,** in order to optimize profits.

The **consumer environment** in Canada as reflected by the growth in retail sales, reported by Statistics Canada, peaked in early 1998 and then gradually slowed through the rest of the year. Having said that, total retail sales still grew by a healthy 4.3% in 1998 compared to growth of 7.2% in 1997, Canada's strongest year of retail sales growth since 1988. In the month of January, 1999, retail sales grew by 2.3% over January, 1998. This compares to a growth rate in January, 1998 of 5.7% over January, 1997. Thus, the

trend in Canada is continuing with slower growth in national retail sales figures, particularly in resource-based western Canada. Within the Company's market segment of "Men's Clothing Stores", sales in the month of January, 1999 were down 9.9% from a year ago when they were up 10.7% from January, 1997. There is no assurance that consumers will continue to purchase apparel at the rate they did in 1998, which was itself at a slower growth rate than was experienced in 1997. The Company is confident that it has mitigated this risk in its Mark's Division by having developed a stable yet evolving product offering, "On Concept" stores and sound marketing programs. In addition, the Company has launched its "Corporate Store" strategy in its Work World Division and will be testing its Dockers® Division in the fall of 1999.

Competition in the men's wear apparel sector remains fierce as department stores, discount department stores, other discount stores, unisex stores and men's specialty stores battle for market share within this market sector. Many of these stores are now large U.S.-based retailers. Some mergers and subsequent store consolidations are also occurring within the sector. Management feels that it has mitigated this risk by keeping the Company well-positioned in this market sector from a selection and pricing perspective. The Company's market share of the total men's wear market in Canada did slip ever so slightly in fiscal '99 as large department stores have refocused their initiatives in this area; nevertheless, the Company's market share remains strong. Clearly, the Company does not believe that it is isolated from the effects of this competition and it intends to continue to be rigorous in maintaining good relationships with its customers, protecting its business, recruiting new customers and testing the introduction of new divisions with new store banners.

The Company's business remains very **seasonal** with the fourth quarter of the fiscal year continuing to produce around 40% of annual sales and most of the annual profits, resulting from the general increase in consumer spending in that period. The sales reporting and merchandise planning modules of the Company's information system assist the Company in mitigating the risk and uncertainties associated with seasonal programs, but cannot remove them completely. Inventory orders, especially for a significant portion of offshore commodities, must be placed well ahead of the season.

Approximately **one third** of the Company's business is in **seasonal** commodities. Thus, **weather** dependency cannot be totally disassociated from the Company's business. Over the next several years, the Company will target to reduce its dependence on seasonal commodities to just under 30%.

In the area of **merchandise sourcing,** the Company has several sources of supply for most of its key commodities in order to be able to provide a continuous supply of quality products to its customers. While short-term interruptions could occur, the Company continues to work with both its domestic and foreign sources, to ensure that they have the commitment and ability to supply the Company so that our customers' needs are met.

As part of its offshore sourcing practice, the Company advises its importers not to provide it with any goods produced in factories that use child labour or unacceptably paid or treated labour. For direct imports, the Company visits and inspects each factory it deals with to determine if the factory employs child or unacceptably paid or treated labor. Nevertheless, the Company cannot guarantee that such activities will not occur in the factories of the offshore suppliers with which it deals.

In addition, the Company is a member of the Retail Council of Canada and has joined as a participant on the Retail Council's Executive Trade Committee to develop a voluntary code of ethical sourcing. The Company has also joined with other organizations in calling for a National Task Force on this matter and will participate through the Retail Council.

The Company's **foreign currency risk** is generally limited to currency fluctuations between the Canadian and U.S. dollar, as most of the Company's offshore suppliers conduct business in U.S. dollars. The Company has no U.S. dollar revenues to use for the purchase of offshore commodities in U.S. dollars. The Company's practice is to enter into forward contracts for over 50% of its anticipated U.S. offshore purchases to help manage this risk. As at January 30, 1999, the Company had foreign exchange collar arrangements in place for committed and anticipated foreign purchases during the Company's next fiscal year totalling $27,442,002 U.S. Under the terms of the collars, the Company bears the exchange risk on foreign purchases when the Canadian dollar trades against the U.S. dollar within the ranges and for the time periods listed in Note 13 to the Consolidated Financial Statements. As at January 30, 1999, there were $132,708 of unrealized gains and $212,533 of unrealized losses on the foreign exchange collars based on the January 30, 1999 exchange rate of $1.5074. See Notes lL and 13 to the Consolidated Financial Statements.

In addition, as at January 30, 1999, the Company had foreign exchange fixed contract arrangements in place for committed and anticipated foreign merchandise purchases during the first quarter of the Company's fiscal year ending January, 2001 totalling $6,100,000 U.S. Under the terms of the fixed contract arrangements, the Company has fixed its exchange risk on foreign purchases at an average Canadian dollar to the U.S. dollar rate of $1.4864 ($9,067,040 Cdn.). As at March 26, 1999, the unrealized gain on these contracts was $164,700 based on a March 26, 1999 exchange rate of $1.5134. See Notes lL and 20B to the Consolidated Financial Statements.

Further, as at January 30, 1999, the Company had foreign exchange fixed contract arrangements in place for committed and anticipated foreign merchandise purchases during the Company's next fiscal year, totalling 189,000,000$ Portuguese Escudos. Under the terms of the fixed contract arrangements, the Company has fixed its exchange risk on foreign purchases at the rates and for the amounts in Note 13 to the Consolidated Financial Statements. As at January 30, 1999, the unrealized net gain on these contracts was $6,458 based on the January 30, 1999 exchange rate of $.00885. See Notes lL and 13 to the Consolidated Financial Statements.

The Company continues to purchase approximately 65% of its merchandise for resale from Canadian manufacturers in Canadian dollars.

The Company's **interest rate** risk is a result of its short-term floating rate debt requirements during part of its fiscal year. Interest rate swap contracts are used to hedge this interest rate risk on the anticipated short-term floating rate debt requirements for the coming year. As at January 30, 1999, the Company had fixed its borrowing rate on over 50% of its anticipated short-term borrowing requirements at a 6.60% all-in rate. See Notes 1L and 13 to the Consolidated Financial Statements.

Since the Company is a public company without a management control-share block, **unsolicited offers to purchase the Company's outstanding Common Shares** could appear from time to time, as did one during fiscal '98. While management has processes in place to have the Company's Board of Directors and non-operations management deal with such matters should they arise, there is a risk that such activities could distract operations management to the point of affecting performance and create expenses which, in combination, could cause the Company to fall short of its forecast range published on pages 24 and 25.

The **internal risk factors** are often tied together, and thus, action taken to stimulate one factor often results in a negative effect on other factors:

- New store openings may increase sales, but, in the first year or two of operations of a new store, the increase in payroll costs, advertising costs, occupancy costs and interest costs may cause that store to contribute an operating loss, until it becomes a mature store from a sales per square foot perspective.

- Additional advertising campaigns may increase sales, but not sufficiently in the short term to cover the cost of the additional advertising and increase short-term profitability.
- Staff reductions can lower payroll costs, but may cause a loss of sales due to lower sales per customer and customer dissatisfaction with the level of sales service and stock outages.

Management believes that it is achieving an appropriate balance among the internal risk factors in order to optimize profits.

The Mark's Division franchise operations consisted of 29 franchise stores at January 30, 1999, 76% of which meet Company-set capitalization standards. This operation is very stable and is expected to shrink a little over time with the occasional franchisee selling his or her store to the Corporation.

With the "Corporate Store" strategy on new store openings and the purchase of 31 franchise stores in fiscal '99, the **Work World franchise operation** was reduced to 105 franchise stores at January 30, 1999. Forty-three percent of the Work World franchises meet Company-set capitalization standards which were developed after the December 1, 1996 acquisition date of Work World, as there were no capitalization standards under the previous administration. In fiscal '99, the Company introduced new merchandise programs and improved the quality and assortments of existing programs to impact approximately 50% of the franchisees' business. These programs are expected to improve the sales and profitability of the Work World franchise stores. The Company has put the necessary credit controls in place to control merchandise shipments to the Work World franchisees. Nevertheless, given the capitalization level of many of these stores, there is a risk that more of the stores could close, causing a loss of royalty and other revenues and bad-debt write-offs for the Company in the near term.

In its purchased franchise stores and in its new corporate stores, this division expects to generate the appropriate sales per square foot, gross margin rate, and expense rate to produce a front-line contribution higher than the royalty rates earned from franchisees on franchise sales. This division requires a full year of operation with its 41 corporate stores through fiscal 2000 to prove these returns.

In the fall of 1999, the Company will be launching **four or five Dockers® test stores.** There is always a risk that startup costs could exceed expectations, and sales and gross margins could lag behind expectations. The Company believes that it is taking all of the appropriate steps in merchandise assortment development, site selection, target market selection, financial and system controls and financing to mitigate these risks.

As reported in our last annual report, implementation of the **Automatic Re-ordering System** has been completed on schedule and has resulted in sales growth in affected commodities beyond our previous expectations. We currently have 46 vendors, representing 591 styles available through the program. This represents approximately 32% of our total annual sales volume and covers approximately 23,000 stores' specific models used for re-ordering merchandise on a scheduled basis. With our initial training programs completed last year, our risks involved in implementation of this program have been significantly reduced. This year, we find ourselves reaching the peak of the learning curve for store personnel and no longer anticipate risks associated with implementation of this type of initiative. Our stringent review processes for both models and orders will continue this year in order to ensure order shortfalls or excesses do not occur. The new process has had the anticipated benefit of ensuring fewer stock shortages and has promoted stronger sales in core sizes and colours. Now that we have adopted this process as part of our ongoing practices, we will be refining our key measurements of success for the Automatic Re-ordering System. These measurements include rates of sale and weeks of inventory supply and turnover. This refining and reporting of key measurements is expected to further

promote increased sales and reduced inventories in basic domestic products.

The Company commenced work on the **Year 2000 Issue** in 1997. The Year 2000 Issue arises because many computerized systems use two digits rather than four digits to identify a year. Consequently, date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using the year 2000 date is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

The effects of the Year 2000 Issue may be experienced before, on or after January 1, 2000, and if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect the Company's ability to conduct normal business operations. The risks associated with the Year 2000 Issue may arise from interruption of sales caused by internal and external systems failures, inability of our business partners (merchandise suppliers, transportation companies, financial institutions, telephone companies, power companies, etc.) to conduct business and the length of time of the interruption and the magnitude of the cost of repair. These costs may or may not create uncertainty in the Company's earnings and cash flows.

In 1997, the Company assigned senior management the responsibility for assessing and formulating a Year 2000 Plan to mitigate the Company's exposure to the Year 2000 Issue. The Plan consists of a three-part methodology to address the Year 2000 Issue. The first part consists of the assessment, modification and testing of critical internal systems hardware and proprietary software code. The second part is the assessment of the magnitude of the risks and the mitigation of those risks related to problems encountered by business partners. The third part is the assessment of the type and amount of contingency planning needed to minimize the likely impact of interruptions to communications, power and other local infrastructure.

The Company estimates that it will have spent $900,000 between late 1997 to early 2000 implementing its year 2000 strategy. These costs include $300,000 for a Project Leader over two years, $300,000 in resource costs for systems modifications (excluding the cost of lost opportunities for a four-month window during 1998 for implementing the systems modifications), and $300,000 in miscellaneous capital expenditure and contingency planning. In addition, the Company's normal capital expenditures in fiscal '98 and fiscal '99 for replacing cash registers and store computer systems were $1,856,000. To date, operating costs and capital expenditures for equipment replacement have been funded from normal systems resources and operating and capital budgets, at the expense of internal requirements for new development. This approach will continue until the year 2000 has passed.

The first phase of our Year 2000 Plan allowed the Company to take an inventory of all internal operating and information systems that may have a potential year 2000 impact. This includes all hardware platforms, systems operations software and application software. In its second phase, the Company reviewed third-party business partners who supply merchandise inventories, telephone services, security equipment and others who enable electronic trading and banking. The final phase involves the assessment of local readiness of infrastructure, which is beyond the Company's direct control. In this regard, in 1999, the Company will produce and test a contingency plan for supporting store operations during daylight hours and securing stores at night in the event of a complete loss of power and telecommunications.

From a technology perspective, by maintaining essentially the same platform for the last eight years, the Company was in a position to be able to modify its systems with its current resources and within its annual system development budget. The Company accomplished the modification, testing and implementation of its essential systems in the front-line and back-line operations in the fourth quarter of 1998. Tests will continue to be performed for aged dates in the first and second quarters of calendar 1999. The risks in the areas of hardware platforms and external software (i.e. PC packages) are being mitigated by the Company's policy of standardizing on what are commonly known

as Tier 1 platforms. While it is the Company's belief that these large technology companies are motivated to ensure that they are year 2000 compliant, the Tier 1 vendors the Company deals with are being required to provide documentation detailing their level of year 2000 compliance.

The main risks presented by the Company's year 2000 assessment center around third-party compliance. These business partners include trade and other suppliers and our transaction processing and lending banks. To assess the level of these risks, the Company has issued 300 questionnaires to these partners in order to identify those with whom it may have potential year 2000 problems. Eighty percent of the respondents confirmed their preparedness as at January 30, 1999. As well, the Company implemented a check to verify all date-related electronic data coming into our system. These processes will filter out non-compliant data, attempt to convert it, and create exception reports. The Company is currently contacting the parties supplying the non-compliant data to rectify the problem and to assist them when appropriate. If the issue persists, the Company will stop dealing with these non-compliant parties electronically until they correct their problem. Of special note is our successful testing of front-line point of sale, security and payroll systems concluded in the first quarter of 1999.

The Company faces some uncertainty in its reliance upon infrastructure, which may affect operations. This includes the ability to trade with foreign suppliers, shipping companies that transport the Company's merchandise, the uninterrupted supply of heat, power and water, and the ability to maintain data and voice communications. To mitigate some of these risks, the Company continues to monitor these matters and to further develop its contingency plans, including alternate sources of merchandise supply and manual methods for operating its retail stores. Legal advice will be sought concerning the adequacy of both contingency planning and insurance policies for risks arising from business interruption, property liability and the diligence of directors and officers.

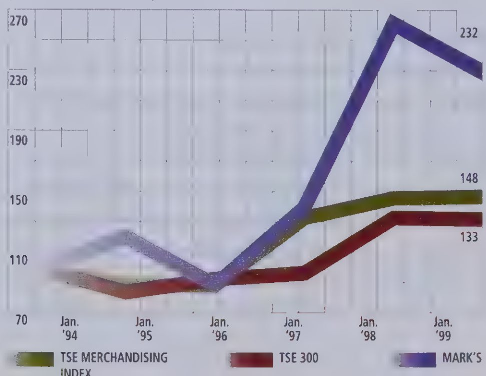
While the Company believes that it has made considerable progress in year 2000 systems changes, monitoring third-party compliance and developing contingency plans, it cannot be certain that all aspects of the year 2000 challenges and risks will be fully resolved. If the systems measures taken by the Company, its customers, suppliers or third parties and contingency plans prove ineffective, the Year 2000 Issue may materially impact the Company's earnings and cash flow. It should be noted that if a major interruption were to occur, the Company generates less than 20% of its sales and none of its profits in the first quarter of its fiscal year.

During the year ended January 30, 1999, the Company's **shares traded** at multiples ranging from 14.0 to 23.8 times earnings per share or from 10.9 to 18.5 times earnings per share before the provision for the closure of the U.S. pilot stores. This compares to a 19.2 to 28.3 times price-earnings ratio during the Company's fiscal '99 year for the TSE Merchandising Index. Also during fiscal '99, the share price ranged from 154% to 262% of the Company's January 30, 1999 book value.

Graph 16 compares the yearly percentage changes over the last five years in the cumulative shareholder return on the Common Shares of the Company (assuming a $100 investment was made on January 30, 1994) with the cumulative total return of the TSE 300 Stock Index and the TSE Merchandising Index. No dividends have been paid by the Company and therefore, it was not necessary to build a dividend reinvestment feature into the graph.

5-YEAR SHARE PERFORMANCE

(based on a base of 100)



Graph 16

Management's Responsibility for Financial Statements

The accompanying Consolidated Financial Statements of the Company and all information in the annual report are the responsibility of management. Financial information contained elsewhere in the annual report is consistent with that shown in the financial statements. The Consolidated Financial Statements were prepared by management in accordance with accounting principles generally accepted in Canada, applied on a consistent basis. The significant accounting policies, which management believes are appropriate for the Company, are described in Note 1 to the financial statements.

Management is responsible for the integrity and objectivity of the financial statements. Estimates are necessary in the preparation of these statements and, based on careful judgements, have been properly reflected. Management has established systems of internal control which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and to produce reliable accounting records for the preparation of financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee of the Board, which consists solely of Directors who are not employees of the Company, is appointed by the Board of Directors, annually. The Audit Committee of the Board meets regularly with financial management of the Company and with the shareholders' independent auditors to discuss internal controls, audit matters including audit scope and auditor remuneration, and financial reporting issues and reports to the Board thereon. The independent shareholders' auditors have unrestricted access to the Audit Committee. The Audit Committee also reviews the annual Consolidated Financial Statements and Management's Discussion and Analysis, reports to the Board thereon and makes recommendations with respect to acceptance for inclusion thereof in the annual report. The Audit Committee also makes recommendations to the Board with respect to the appointment and remuneration of the Company's auditors.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards and applicable laws and maintains proper standards of conduct for its activities.

Michael Lambert, Chief Financial Officer

March 26, 1999

Auditors' Report

TO THE SHAREHOLDERS OF MARK'S WORK WEARHOUSE LTD.

We have audited the Consolidated Balance Sheets of Mark's Work Wearhouse Ltd. as at January 25, 1997, January 31, 1998, and January 30, 1999, and the Consolidated Statements of Earnings and Retained Earnings and Cash Flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these Consolidated Financial Statements present fairly, in all material respects, the financial position of the Company as at January 25, 1997, January 31, 1998 and January 30, 1999 and the results of its operations and changes in its cash flows for each of the years then ended, in accordance with generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP Chartered Accountants

Calgary, Alberta March 26, 1999

Consolidated Balance Sheets

(thousands)	As at January 25, 1997	As at January 31, 1998	**As at January 30, 1999**
Assets			
Current assets			
Cash and cash equivalents	$ 11,749	$ 349	**$ 2,710**
Accounts receivable (Note 4)	12,284	12,644	**13,364**
Merchandise inventories	44,040	60,108	**76,982**
Other current assets (Note 5)	2,304	2,709	**3,304**
	70,377	75,810	**96,360**
Other assets (Note 6)	793	449	**975**
Capital assets (Note 7)	14,608	20,072	**23,531**
Future income taxes (Notes 1M & 18)	1,676	2,091	**3,413**
Goodwill (Note 8)	7,368	7,195	**8,713**
	$ 94,822	$ 105,617	**$ 132,992**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	$ 36,540	$ 33,280	**$ 43,557**
Income taxes payable	6,478	6,683	**4,976**
Current portion of long-term debt (Note 10)	2,286	4,434	**7,992**
	45,304	44,397	**56,525**
Long-term debt (Note 10)	11,952	13,414	**22,052**
Deferred gains (Note 7)	682	1,060	**1,109**
	57,938	58,871	**79,686**
Shareholders' Equity			
Capital stock (Notes 12 and 20C)	28,577	31,888	**32,696**
Retained earnings (Note 1M)	8,307	14,858	**20,610**
	36,884	46,746	**53,306**
	$ 94,822	$ 105,617	**$ 132,992**

Approved by the Board

Michael Fox

Michael Fox, Director

Garth Mitchell

Garth Mitchell, Director

Consolidated Statements of Earnings and Retained Earnings

(thousands except per Common Share amounts)	52 weeks ended January 25, 1997	53 weeks ended January 31, 1998	**52 weeks ended January 30, 1999**
Corporate and franchise sales (Note 14)	$ 303,756	$ 402,207	**$ 417,468**

Corporate operations

Front-line operations (Note 1B)			
Sales	$ 220,902	$ 252,016	**$ 283,401**
Cost of sales	136,933	149,923	**169,163**
Gross margin	83,969	102,093	**114,238**
Front-line expenses			
Personnel, advertising and other	39,642	47,074	**51,869**
Occupancy	19,570	21,862	**25,868**
Depreciation and amortization	3,811	4,724	**5,350**
Interest – short term	1,176	656	**2,015**
	64,199	74,316	**85,102**
Front-line contribution	19,770	27,777	**29,136**
Franchise royalties and other (Note 15)	4,981	7,604	**7,016**
Net front-line contribution before back-line expenses	24,751	35,381	**36,152**
Back-line operations (Note 1B)			
Back-line expenses			
Personnel, administration and other	10,028	14,880	**15,124**
Occupancy	835	978	**998**
Depreciation and amortization	612	2,371	**3,027**
Software development and maintenance costs	727	815	**906**
Computer services	3,406	946	**571**
Interest – long term	673	1,676	**1,350**
Franchise bad debt provisions	160	460	**219**
Other costs (Note 17)	—	851	**—**
	16,441	22,977	**22,195**
Earnings before provision for closure of U.S. pilot stores and income taxes	8,310	12,404	**13,957**
Provision for closure of U.S. pilot stores (Notes 16 and 20A)	—	—	**2,961**
Earnings before income taxes	8,310	12,404	**10,996**
Income taxes (Notes 1M and 18)			
Current expense	4,937	6,268	**6,566**
Future expense (benefit)	(550)	(415)	**(1,322)**
	4,387	5,853	**5,244**
Net earnings	3,923	6,551	**5,752**
Retained earnings at beginning of year	4,384	8,307	**14,858**
Retained earnings at end of year	$ 8,307	$ 14,858	**$ 20,610**
Earnings per Common Share			
Basic	16¢	24¢	**21¢**
Fully diluted	15¢	23¢	**20¢**

Consolidated Statements of Cash Flows

(thousands)	52 weeks ended January 25, 1997	53 weeks ended January 31, 1998	**52 weeks ended January 30, 1999**
Cash and cash equivalents generated (deployed)			
Operations			
Net earnings	$ 3,923	$ 6,551	**$ 5,752**
Non-cash items			
Provision for closure of U.S. pilot stores (Note 16)	—	—	**2,961**
Depreciation and amortization	4,423	7,095	**8,377**
Loss (gain) on disposition of capital assets	(481)	378	**47**
Future income taxes (benefits) (Note 1M)	(550)	(415)	**(1,322)**
Funds provided by operations	7,315	13,609	**15,815**
Changes in non-cash working capital (net of effect of acquisition of subsidiaries and franchise stores)			
Accounts receivable	135	(356)	**(605)**
Merchandise inventories	1,415	(15,654)	**(6,755)**
Other current assets	(646)	(404)	**(614)**
Accounts payable and accrued liabilities	4,510	(3,401)	**771**
Income taxes payable (Note 1M)	2,002	205	**(1,707)**
	7,416	(19,610)	**(8,910)**
	14,731	(6,001)	**6,905**
Investing			
Acquisitions of subsidiaries net of cash acquired (Note 2)	(7,263)	—	**(2,196)**
Purchases of franchise stores (Note 3)	(1,312)	(507)	**(4,320)**
Purchases of capital assets (Note 7)	(2,323)	(874)	**(3,183)**
Other assets	852	(287)	**(720)**
Goodwill	(4)	—	**—**
Disposition of capital assets	(75)	(217)	**(160)**
	(10,125)	(1,885)	**(10,579)**
Financing			
Proceeds of long-term debt (Notes 7 and 10)	7,000	—	**10,259**
Retirement of long-term debt	(216)	(1,413)	**(1,417)**
Repayment of capital lease liabilities	(533)	(2,412)	**(3,615)**
Issuance of share capital for cash (Note 12)	807	311	**808**
	7,058	(3,514)	**6,035**
Net cash and cash equivalents generated (deployed)	11,664	(11,400)	**2,361**
Cash and cash equivalents at beginning of year	85	11,749	**349**
Cash and cash equivalents at end of year	$ 11,749	$ 349	**$ 2,710**

Supplementary Schedules to Consolidated Statements of Cash Flows

(thousands)	52 weeks ended January 25, 1997	53 weeks ended January 31, 1998	**52 weeks ended January 30, 1999**
Schedule of non-cash investing and financing activities:			
Capital assets acquired by means of capital leases	$ (3,509)	$ (10,435)	**$ (6,969)**
Capital lease funding to acquire capital assets	$ 3,509	$ 10,435	**$ 6,969**
Retirement of long-term debt on conversion to equity	$ —	$ (3,000)	**$ —**
Issuance of share capital on conversion of long-term debt	$ —	$ 3,000	**$ —**
Supplement disclosures of cash flow information:			
Cash paid for:			
Short-term interest	$ 1,176	$ 656	**$ 1,956**
Long-term interest	$ 475	$ 1,874	**$ 1,323**
Income taxes	$ 2,842	$ 6,063	**$ 8,273**

Notes to Consolidated Financial Statements

January 30, 1999

(dollar amounts in tables in thousands except financial instruments tables on foreign currencies, exercise price of options to purchase Common Shares and earnings per Common Share)

1. SIGNIFICANT ACCOUNTING POLICIES

The Company operates Mark's Work Wearhouse, (Mark's; called L' Équipeur in Quebec) and Work World Enterprises (Work World) corporate stores and is involved in the operations of franchise-owned Mark's and Work World stores, all operating in the retail clothing and footwear industry within Canada. Through a U.S. subsidiary in fiscal January, 1997, and as a branch in fiscal January, 1998 and January, 1999, the Company also operated two Mark's pilot stores in the United States. The Mark's U.S. pilot stores are being closed in fiscal January, 2000. See Notes 16 and 20A. These financial statements are prepared by management in accordance with accounting principles generally accepted in Canada.

A. **FISCAL YEAR**

The fiscal year of the Company consists of a 52- or 53-week period ending on the last Saturday in January each year. The fiscal year for the Consolidated Financial Statements presented is the 52-week period ended January 30, 1999, and comparably the 53-week period ended January 31, 1998, and the 52-week period ended January 25, 1997.

B. **BASIS OF PRESENTATION**

The Consolidated Financial Statements include the accounts of the Company and its subsidiaries, all of which are wholly owned.

Front-line operations represent those activities where the Company's people come face to face with the customers and back-line operations represent those activities that support the effective performance of front-line activities.

C. **FRANCHISE OPERATIONS**

Initial franchise fees are recorded as income when the store has been opened whether the balance has been received or is receivable. Deposits received on initial franchise fees for stores not yet opened are included in current liabilities on the balance sheet. Royalties, which are based on sales by the franchisees, are recorded as income as they are earned. Costs are expensed as incurred as part of either front-line or back-line expenses.

D. **MERCHANDISE INVENTORIES**

Merchandise inventories are accounted for by the retail method and are carried at the lower of estimated cost and anticipated selling price, less an expected average gross margin.

E. **CAPITAL ASSETS**

Depreciation is designed to amortize the cost of capital assets over their estimated useful lives. Capital assets are amortized at the following annual rates:

Building	Straight-line at 7%
Leasehold improvements	On a straight-line basis over the term of the lease
Furniture, fixtures and equipment	On a straight-line basis at 20% per year
Fixtures, equipment and computer equipment and operating software capital leases	On a straight-line basis over the term of the lease

F. **GOODWILL**

Goodwill is the excess of the cost of investments in subsidiaries or purchased franchise stores over the fair value of the net tangible assets acquired. Goodwill is being amortized on a straight-line basis determined for each acquisition or purchased franchise store over the estimated life of the benefit. The value of goodwill is regularly evaluated by reviewing the financial returns of the related business or purchased franchise stores, taking into account the risks associated with the investment. Any permanent impairment in the value of goodwill is written off against earnings. The weighted average remaining amortization period is 30.2 years (January 31, 1998 31.7 years; January 25, 1997 32.9 years). No goodwill is set up on the reacquisition of troubled franchises. See Notes 2, 3 and 8.

G. **TRANSLATION OF FOREIGN CURRENCIES**

Inventory purchases in foreign currencies are translated at the rate of exchange in effect on the dates the purchases occur and payable balances at the balance sheet date, in both cases after taking into account the effect of any related foreign exchange hedging contracts.

The Mark's U.S. pilot stores were considered integrated and thus were translated using the temporal method, whereby monetary items were translated at the rate of exchange in effect at the balance sheet dates, non-monetary items were translated at historical exchange rates, and revenue and expense items except for depreciation and amortization were translated at the rate of exchange in effect on the dates they occurred.

H. **COMPUTER SERVICES**

Effective March 31, 1997, the Company negotiated a termination of the computer services outsourcing agreement it had entered into on December 31, 1993 and had extended on February 1, 1996. See Note 7.

I. **STORE OPENING EXPENSES**

Because of the significant number of store openings as the Company converts to larger "On Concept" stores in its Mark's Division and to corporate stores in its Work World Division, store opening expenses are being capitalized and are being amortized over a three-year period commencing in the quarter following the store opening. See Notes 5 and 6.

J. **SOFTWARE DEVELOPMENT AND MAINTENANCE COSTS**

Costs incurred, which are primarily programmers' salaries and contracted amounts to develop or maintain software for the Company's proprietary management information systems, including year 2000 modifications, are expensed as incurred.

K. **EARNINGS PER COMMON SHARE**

Basic earnings per Common Share are calculated using the weighted average number of Common Shares outstanding during the year. See Note 12. Fully diluted earnings per Common Share are calculated after giving effect to the exercise of outstanding options and to the conversion of the 8% Convertible Subordinated Debentures up to their conversion between January 31, 1997 and February 3, 1997.

L. **FINANCIAL INSTRUMENTS**

Interest rate swap contracts are used to hedge interest rate risk on over 50% of the Company's anticipated short-term floating rate debt requirements during its next fiscal year. The interest rate differentials to be paid or received under such contracts are recognized as adjustments to interest expenses in that fiscal year.

Foreign currency risks related to the purchase of merchandise for resale are hedged for over 50% of the Company's anticipated purchases. Any costs associated with these purchases are included in the Canadian dollar cost of these products.

The estimated fair values of accounts receivable and accounts payable approximate book value. See Note 10 for the estimated fair value of fixed rate debt and Note 13 for the estimated fair value of financial instruments.

M. **FUTURE INCOME TAXES**

The Company adopted the asset/liability method of accounting for future income taxes in fiscal 1999 whereby future income tax liabilities are determined by applying the tax rate at the end of the fiscal year to temporary differences between the accounting and tax bases of the assets and liabilities of the Company. Formerly, generally accepted accounting principles required that the deferred income tax method be used. As a result of the preparation of the proof to establish the asset liability method of accounting for future taxes, it became necessary to apply prior period adjustments to January 27, 1996 of a $2,076,000 debit to future income taxes and a $2,076,000 credit to income taxes payable; to January 25, 1997 a $1,074,000 debit to future income taxes and current tax expenses and a $1,074,000 credit to income taxes payable and future tax expense; to January 31, 1998 a $188,000 debit to future income taxes and a $188,000 credit to income taxes payable and a $341,000 debit to current tax expenses and a $341,000 credit to future tax expense. No adjustments were required to January 25, 1997 opening retained earnings or to the total income tax expenses in each of the periods ended January 25, 1997, and January 31, 1998 as changes to the total income tax expense were not material. The future income tax asset results from differences between the tax base and carrying values of capital and other assets and differences in the accounting and tax treatment of certain costs. At January 30, 1999, the tax base of capital and other assets exceeded the carrying value of these assets by $7,775,000 (January 31, 1998 $4,721,000; January 25, 1997 $3,758,000). See Note 18.

N. **POST-RETIREMENT BENEFITS**

The Company does not provide its employees with post-retirement health, insurance and other benefits at this time. The Company has a retirement plan in which all permanent employees may participate after a one-year service period, if they so desire. The retirement plan is a combined group registered retirement savings plan and deferred profit-sharing plan, whereby the Company (providing it was profitable in the previous year) matches employees' contributions up to 4% of the employee's salary. Contributions made by the Company to the retirement plan are expensed when they are made.

O. **UNCERTAINTY DUE TO THE YEAR 2000 ISSUE**

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure that could affect an entity's ability to conduct normal business operations. The Company has made year 2000 systems changes to its systems, is monitoring third-party compliance and is developing contingency plans. However, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

P. **PRIOR YEAR AMOUNTS**

Certain prior years' amounts are reclassified to conform to the current year's presentation. Other than as described in Note 1M, none of these reclassifications are significant.

2. ACQUISITIONS

A. Effective November 1, 1998, the Company's wholly owned subsidiary Work World Enterprises Inc. acquired all of the outstanding shares of Paul John Enterprises Ltd. (Paul John) for a cash down payment of $2,253,000. In addition, there may be a further future earnout amount based on sales of the operation over the next five years,

payable no later than April 15, 2004. This amount is not determinable at this time, but the amount, if any, will be added to the purchase price as additional goodwill when it can be estimated. Paul John owned and operated 19 Work World franchise stores in British Columbia and the Yukon, which are now being operated as corporate stores in the Company's Work World Division.

The acquisition was accounted for by the purchase method, with the results of operations from the acquired business included from the November 1, 1998 acquisition date. Earnings before income taxes for the period November 1, 1998 to January 30, 1999 were $559,000.

The acquisition resulted in goodwill of $328,000 which is being amortized on a straight-line basis over 27.7 years which represents the average remaining life of the original franchise agreements plus one extension period. The net assets acquired were as follows:

	1999
Cash	**$ 57**
Other current assets	**7,572**
Capital assets	**781**
Assumed goodwill	**557**
Acquisition goodwill (See Notes 1F and 8)	**328**
	9,295
Liabilities assumed	**(7,042)**
Acquisition cost	**$ 2,253**

B. Effective December 1, 1996, the Company acquired all of the outstanding shares of Work World Enterprises Inc. for cash totalling $7,263,000. Work World was directing the operation of Work World and Workwear World franchises operating retail stores in Canada using a variety of proprietary trademarks and trade names.

The acquisition was accounted for by the purchase method, with the results of the acquired business included from the December 1, 1996 acquisition date.

The acquisition resulted in goodwill of $7,146,000 which is being amortized on a straight-line basis over 33.9 years which represents the average life of the franchise agreements plus one extension period.

The net assets acquired were as follows:

	1997
Other current assets	$ 1,596
Franchise contracts receivable	52
Capital assets	587
Acquisition goodwill (See Notes 1F and 8)	7,146
	9,381
Liabilities assumed	(2,118)
Acquisition cost	$ 7,263

3. PURCHASES OF FRANCHISE STORES

As opportunities arise, both the Mark's and Work World Divisions purchase their division's respective franchise stores for cash and convert them to corporate stores.

Each purchase is accounted for by the purchase method, with the results of the acquired franchise store included from the date of acquisition.

The purchase sometimes results in goodwill, which is being amortized on a straight-line basis. The weighted average remaining amortization period is 22.6 years (January 31, 1998 4.3 years; January 25, 1997 4.7 years).

The net assets acquired were as follows:

	1997	1998	1999
Number of stores	2	2	**14**
Current assets	$ 868	$ 428	**$ 3,160**
Capital assets	91	69	**510**
Other assets	145	57	**512**
Acquisition goodwill (See Notes 1F and 8)	208	94	**969**
	1,312	648	**5,151**
Liabilities assumed	0	(141)	**(831)**
Acquisition cost	$ 1,312	$ 507	**$ 4,320**

4. ACCOUNTS RECEIVABLE

	1997	1998	1999
Receivables from franchise stores			
Mark's stores	$ 6,763	$ 5,526	**$ 5,597**
Work World stores	1,730	2,522	**1,744**
Receivables from business account sales	2,190	3,131	**3,668**
Landlord leasehold rebates receivable	1,373	1,222	**1,661**
Co-op advertising receivable	914	1,544	**1,142**
Other accounts receivable	1,090	1,125	**1,162**
Current portion of notes receivable from Mark's franchises	250	125	**—**
	14,310	15,195	**14,974**
Allowance for doubtful accounts related primarily to receivables from franchise stores	(2,026)	(2,551)	**(1,610)**
	$12,284	$12,644	**$13,364**

The Company operates in the retail industry primarily in Canada, and, until recently, at two pilot locations in the United States. The amounts receivable from business account sales are receivable from 4,200 customers (January 31, 1998 3,700 customers; January 25, 1997 3,100 customers). There are no individually significant clients who could create a credit risk to the Company in its operated stores. Accounts receivable from Mark's franchise stores for inventory purchases, royalties, and other services can have large balances at certain times of the year. The Company has security instruments in place over the franchise operations of Mark's franchisees, usually postponed to the franchisees' principal banker, and other personal security, the value of which may or may not cover the total receivable position. The Company has receivables from Work World franchise stores for royalties, acquisition fees, merchandise surcharges and for the costs of other services. During the fiscal year ended January 31, 1998, the Company went from not supplying inventory to Work World franchise stores and not taking responsibility for the suppliers' payments related to orders for the purchase of merchandise by Work World franchise stores, to supplying inventory and assuming supplier payment responsibility for approximately 3% of the Work World franchise stores' annual sales. During the fiscal year ended January 30, 1999 that percentage increased to 15% of the Work World franchise stores' annual sales. Accounts receivable from Work World franchise stores are unsecured.

5. OTHER CURRENT ASSETS

	1997	1998	1999
Prepaid expenses and supplies	$1,329	$1,780	**$2,396**
Deposits	337	375	**368**
Current portion of store opening expenses (See Note 1I)	638	554	**540**
	$2,304	$2,709	**$3,304**

6. OTHER ASSETS

	1997	1998	1999
Employee relocation loans	$ 138	$ 89	**$ 26**
Store opening expenses (See Note 1I)	655	360	**471**
Other	—	—	**478**
	$ 793	$ 449	**$ 975**

7. CAPITAL ASSETS

	1997		1998		**1999**	
	Cost	Net Book Value	Cost	Net Book Value	**Cost**	**Net Book Value**
Land	$ 45	$ 45	$ 45	$ 45	**$ 45**	**$ 45**
Building	452	351	452	334	**452**	**312**
Leasehold improvements	5,127	2,036	4,654	1,144	**4,494**	**689**
Furniture, fixtures and equipment	18,291	8,342	18,873	6,993	**21,720**	**7,453**
Fixtures and equipment under capital leases	4,491	3,834	8,645	6,696	**13,319**	**9,520**
Computer equipment and operating software under capital leases	—	—	6,346	4,860	**9,047**	**5,512**
	$28,406	$14,608	$39,015	$20,072	**$49,077**	**$23,531**

Effective March 31, 1997, the Company negotiated a termination of the computer services outsourcing agreement it had entered into on December 31, 1993 and had extended on February 1, 1996. Pursuant to the termination arrangement, the Company accepted an assignment of computer equipment leases from the outsourcer, and set up, at the net present value of the remaining lease payments, $5,281,000 of computer equipment capital leases and $5,281,000 of computer capital lease debt on the balance sheet. See Notes 1H and 10.

See Note 2 for the effect on capital assets of the November 1, 1998 acquisition of Paul John and the December 1, 1996 acquisition of Work World. See Note 3 for the effect on capital assets of franchise store purchases.

The Company finances some of its "On Concept" stores' capital expenditures by selling and then leasing back these capital assets. The gains realized on the sales have been deferred and are being amortized over the terms of the leases. The deferred gain balance at January 30, 1999 is $890,000 (January 31, 1998 is $772,000 and January 25, 1997 is $349,000).

The Company sold and leased back its corporate office building in fiscal 1992. The gain realized on the sale has been deferred and is being amortized over the original 128-month term of the lease. The deferred gain balance at January 30, 1999 is $219,000 (January 31, 1998 is $288,000 and January 25, 1997, $333,000).

8. GOODWILL

	1997	1998	**1999**
Work World acquisition	$7,146	$7,146	**$7,146**
Paul John acquisition	—	—	**885**
Purchased franchise stores	308	402	**1,371**
	7,454	7,548	**9,402**
Accumulated amortization	(86)	(353)	**(689)**
	$7,368	$7,195	**$8,713**

9. OPERATING CREDIT FACILITIES

The Company has operating credit facilities as follows

Facility	**Amount**	Interest Rate
364-day revolving operating facility from a syndication of Canadian chartered banks	**$55 million**	Rate options based on prime rate (6.75% at January 30, 1999) and bankers' acceptance rates plus margin if applicable based on a certain interest coverage test
364-day revolving operating facility from a Canadian chartered bank	**$5 million**	Prime rate (6.75% at January 30, 1999) plus margin if applicable based on a certain interest coverage test
Contingent liability demand line to support contingent exposure under foreign exchange and interest rate swap arrangements from a Canadian chartered bank	**$5 million**	Quoted rates from time to time. See Notes 1L and 13 on financial instruments
Contingent liability demand line to support contingent exposure under foreign exchange and interest rate swap arrangements from a Canadian chartered bank	**$1.4 million**	Quoted rates from time to time. See Notes 1L and 13 on financial instruments

The operating lines of credit include limits for letters of credit and are limited to the lesser of $60,000,000 and 60% of inventories as defined, plus 75% of receivables as defined plus, during June through September and to a maximum of $5,000,000, 40% of franchise receivables as defined. The operating lines are extendible, at the Company's request and the lender's discretion, for subsequent 364-day periods. Failing renewal, as long as there has not been an event of default, 50% of the then outstanding amounts under the operating facilities could be converted into non-revolving facilities repayable over 36 months.

Security provided includes a general security agreement, a fixed and floating charge demand debenture registered in various jurisdictions, hypothec on moveables registered in Quebec, general assignment of accounts receivable, security under the Bank Act over inventory, pledge of shares of Work World Enterprises Inc. registered in various jurisdictions and guarantee and postponement of claim from all material subsidiaries secured by general security agreements, fixed and floating charge debentures and general assignment of book debts of such subsidiaries registered in various jurisdictions.

10. LONG-TERM DEBT

	1997	1998	1999
Syndicated bank term loan at prime plus margin based on a certain interest coverage test plus one quarter (7.0% at January 30, 1999)	$ —	$ —	**$ 5,000**
Syndicated bank term loan at prime plus margin based on a certain interest coverage test plus one quarter (7.0% at January 30, 1999)	—	—	**5,000**
Bank term loan, 7.5% interest	7,000	5,600	**4,200**
8% Convertible Subordinated Debentures	3,000	—	**—**
Fixture and equipment capital lease obligations – 1999, 9.0% average interest rate over 45 months (1998, 8.9% average interest rate over 63 months; 1997, 9.3% average interest rate over 52 months). See Note 7	4,238	7,125	**9,907**
Computer equipment and operating software capital lease obligations – 1999, 10.1% average interest rate over 29 months (1998, 10.9% average interest rate over 49 months; 1997 Nil) See Notes 1H and 7	—	5,123	**5,937**
Total	14,238	17,848	**30,044**
Less: amount due within one year	(2,286)	(4,434)	**(7,992)**
	$ 11,952	$ 13,414	**$ 22,052**

If rates currently available to the Company for long-term debt (including amounts due within one year), with similar terms and maturities are used, the estimated fair values of fixed rate debt as at January 30, 1999 are $30,130,000 (January 31, 1998 $18,166,000; January 25, 1997 $14,279,000).

On December 4, 1998, the Company obtained a $5,000,000 five-year term facility from a syndication of Canadian chartered banks to refinance a portion of pre-existing bank indebtedness. The loan bears interest at prime plus a margin based on a certain interest coverage test plus one quarter (7.0% at January 30, 1999) and is repayable in 20 equal quarterly principal plus interest payments that begin on January 31, 1999. Security is as described in Note 9.

On December 4, 1998, the Company obtained a $5,000,000 five-year term facility from a syndication of Canadian chartered banks to finance the acquisition and working capital funding requirements of Paul John Enterprises Ltd. See Note 2A. The loan bears interest at prime plus a margin based on a certain interest coverage test plus one quarter (7.0% at January 30, 1999) and is repayable in 20 equal quarterly principal plus interest payments that begin on March 31, 1999. Security is as described in Note 9.

On December 9, 1996, the Company obtained a $7,000,000, five-year term facility from a Canadian chartered bank to finance the acquisition of Work World Enterprises Inc. See Note 2B. The loan has a fixed interest rate of 7.5% and is repayable in 20 equal quarterly principal plus interest payments which began March 31, 1997. Security provided is as described in Note 9.

The fixtures and equipment under capital lease obligations and the computer equipment and operating software under capital lease obligations are the security for those respective obligations.

The Company's $3,000,000, 8% Convertible Subordinated Debentures matured on February 3, 1997 and were convertible into Common Shares of the Company at a price of $1.85 per Common Share. Between January 31, 1997 and February 3, 1997 all of the Company's 8% Convertible Subordinated Debentures were converted into 1,621,633 Common Shares of the Company.

The aggregate repayments of principal required to meet long-term debt obligations are as follows:

2000	$ 7,992
2001	$ 7,869
2002	$ 6,265
2003	$ 4,250
2004	$ 3,143
Thereafter	$ 525

11. COMMITMENTS AND CONTINGENT LIABILITIES

The Company has entered into operating lease agreements terminating at various dates to 2013. The Company has also entered into operating lease agreements for store security systems.

The minimum annual rentals, excluding tenant operating costs and the minimum annual rentals for security systems, are as follows:

2000	$21,568
2001	$21,330
2002	$20,055
2003	$19,473
2004	$18,233
Thereafter	$55,440

In addition to minimum annual rentals, contingent rentals may be payable under certain store leases on the basis of sales in excess of stipulated amounts.

Subsidiary companies of the Company's subsidiary Work World Enterprises Inc. are on head leases for some of the Work World franchise stores. Should those franchise stores cease operations before the end of their respective lease terms and be unable to meet their remaining lease liabilities, those Work World subsidiary companies would have a commitment for $2,716,762 on 31 store leases prior to any subleasing to new franchisees or Work World corporate stores.

The Company is on leases for its two U.S. stores in Grand Rapids, Michigan and Portland, Maine. The minimum annual rental commitment under these leases is $232,380 (U.S.). Subleasing negotiations and landlord negotiations for outright releases are in process on these locations. See Notes 16 and 20A. On March 28, 1998, the Company switched locations in Grand Rapids, Michigan. The Company sublet its original location to Goodwill Industries. Should the subleasee default on the sublease, the Company would have an annual commitment for $213,377 (U.S.) prior to any further subleasing.

The Company enters into commitments with its domestic and foreign suppliers in the ordinary course of business to obtain the merchandise required to generate the following year's planned sales. In the opinion of management, commitments made to date after having considered the Company's fiscal 2000 forecasts and inventory levels as at January 30, 1999 are consistent with prior years. As at January 30, 1999, the Company had letters of credit outstanding for merchandise purchases from foreign suppliers totalling $4,962,384.

Mark's and Work World have merchandise inventory buy-back agreements in place with Canadian chartered banks under which they have agreed to buy back franchise-owned merchandise inventory should the banks foreclose on any of their respective franchisees. In 65 of the Work World buy-back agreements, there is a ceiling on the amount of merchandise inventory that has to be purchased. As at January 30, 1999, if there were foreclosures on all franchise stores, where merchandise inventory buyback agreements are in place, the Company would be required to buy back merchandise inventory at 68% of cost which totals $14,896,896 from 100 stores.

12. CAPITAL STOCK

The authorized capital stock of the Company comprises 100,000,000 First Preferred Shares of no par value and an unlimited number of Common Shares of no par value.

The issued capital stock of the Company is as follows:

	Weighted Average Common Shares	Common Shares	Capital Stock
1999	**27,475,198**	**27,866,247**	**$ 32,696**
1998	27,057,691	27,286,347	$ 31,888
1997	24,975,543	25,380,788	$ 28,577

During the year ended January 30, 1999, 579,900 Common Shares were issued pursuant to the exercise of employee stock options for a total consideration of $808,000. See Note 20C.

Also during the year ended January 30, 1999, the Preferred Shares held in the Company's U.S. subsidiary by three investors were exchanged for Common Shares of the Company pursuant to stock exchange agreements dated January 18, 1985. Since the Company could require that such exchanges take place, these holdings have been treated as equity of the Company and as part of the Common Shares and weighted average Common Shares outstanding since January 18, 1985. Thus, this share issuance did not affect the dollar amount of capital stock or number of Common Shares or weighted average Common Shares outstanding.

During the year ended January 31, 1998, 283,926 Common Shares were issued pursuant to the exercise of employee stock options for a total consideration of $311,000 and 1,621,633 Common Shares were issued on the conversion of the Company's $3,000,000 8% Convertible Subordinated Debentures.

During the year ended January 25, 1997, 796,000 Common Shares were issued pursuant to the exercise of employee stock options for a total consideration of $807,000.

Options to purchase Common Shares granted to directors, officers and employees outstanding as at January 30, 1999 are as follows:

Number of Common Shares	Exercise Price	Expiry Date
20,000	$1.26	April 29, 1999
25,000	$1.45	October 25, 2000
200,000	$1.65	January 25, 2002
415,200	$1.45	March 28, 2003
75,000	$1.76	December 9, 2003
25,000	$1.95	January 29, 2004
642,300	$2.38	March 26, 2004
25,000	$4.20	November 6, 2004
235,300	$4.25	April 2, 2005

As at January 30, 1999, 855,100 of the above 1,662,800 Common Share options are vested and exercisable.

In addition, subject to shareholder approval at the Company's next meeting of shareholders scheduled for June 24, 1999, an option on 250,000 Common Shares was granted to a senior officer of the Company on November 12, 1998 at an exercise price of $3.85 and expiring on November 12, 2005. None of these Common Share options are vested.

The shareholders of the Company approved a Shareholder Rights Plan Agreement at the June 26, 1996 Annual and Special Meeting of the Shareholders.

Pursuant to the Shareholders Rights Plan Agreement, each shareholder received one Right for each outstanding Common Share held by them. The Rights have no economic value and may not be exercised unless and until (a) an individual acquires the beneficial ownership of twenty percent (20%) or more of the outstanding Common Shares of the Company without Board approval (becomes an "Acquiring Person"), other than pursuant to a Permitted Bid, (b) the commencement of, or first public announcement of the intent of any person, other than the Company or any subsidiary of the Company, to commence a Take-over Bid, or (c) the date upon which a Permitted Bid ceases to be a Permitted Bid, or in any circumstances, such earlier or later date as may be determined by the Board of Directors, acting in good faith (collectively, the "Separation Time"). Without a postponement of the Separation Time by the Board of Directors, the occurrence of any of the above-mentioned events ("Flip-in Events") entitles all other shareholders to exercise their Rights and to purchase additional Common Shares at a fifty percent (50%) discount to market value.

The Rights expire upon the termination of the annual meeting of the Company in the year 1999, unless earlier terminated by the Board.

13. FINANCIAL INSTRUMENTS

As at January 30, 1999, the Company had fixed its borrowing rate on over 50% of its anticipated short-term borrowing requirements at a 6.60% all-in rate. At January 31, 1998, the Company had fixed its financing rate on what ended up being 70% of its actual short-term financing requirements at a 5.95% all-in rate. During fiscal 1999, the Company fixed its borrowing rate on the remainder of its short-term financing requirements at a 6.55% all in rate. These activities caused the Company to pay $84,000 less in interest during the fiscal year ended January 30, 1999. At January 25, 1997, the Company had fixed its financing rate at a 5.6% all in rate on what ended up being 108% of its actual short-term borrowing requirements during the year ended January 31, 1998. This activity caused the Company to pay $110,000 more in interest during the fiscal year ended January 31, 1998. The mark-to-market value of the interest rate swap contracts is a $22,779 unrecorded gain at January 30, 1999 (January 31, 1998 $8,249 unrecorded gain and January 25, 1997 $45,653 unrecorded loss) based on the Company's floating rate interest cost as at January 30, 1999 of 6.75% (January 31, 1998 of 6.0%; January 25, 1997 5.25%).

As at January 30, 1999, the Company had 17 foreign exchange collar arrangements in place for committed and anticipated foreign merchandise purchases during the Company's next fiscal year totalling $27,442,002 (U.S.). Under the terms of the collars, the Company bears the exchange risk on foreign purchases when the Canadian dollar trades against the U.S. dollar within the following ranges and time periods:

Collar Exercise Date	Floor Rate	Ceiling Rate	Contract Amount in U.S. $
February 17, 1999	1.3940	1.4650	$ 1,000,000
February 17, 1999	1.4595	1.4775	$ 1,710,000
March 16, 1999	1.3940	1.4650	$ 250,000
March 16, 1999	1.4595	1.4775	$ 600,000
April 16, 1999	1.4595	1.4775	$ 355,815
May 18, 1999	1.5220	1.5490	$ 2,683,144
June 16, 1999	1.5220	1.5490	$ 2,698,903
July 16, 1999	1.5220	1.5490	$ 1,695,021
August 4, 1999	1.5200	1.5365	$ 2,829,000
August 16, 1999	1.5100	1.5400	$ 722,120
September 2, 1999	1.5200	1.5365	$ 2,155,000
September 15, 1999	1.5100	1.5400	$ 295,400
October 4, 1999	1.5200	1.5365	$ 1,660,000
October 15, 1999	1.5100	1.5400	$ 488,000
November 15, 1999	1.5100	1.5400	$ 4,661,576
December 15, 1999	1.5100	1.5400	$ 2,642,894
January 14, 2000	1.5100	1.5400	$ 995,129

As at January 30, 1999, there were $132,708 unrealized gains and $212,533 unrealized losses on the foreign exchange collars based on a January 30, 1999 exchange rate of $1.5074. See Note 20B.

As at January 30, 1999, the Company also had 3 foreign exchange fixed contract arrangements in place for committed and anticipated foreign merchandise purchases during the Company's next fiscal year totalling 189,000,000$ Portuguese Escudos. Under the terms of the fixed contract arrangements, the Company has fixed its exchange risk on foreign purchases for the Canadian dollar trades against the Portuguese Escudo at the following rate and time periods:

Time Period for Exercising Contracts	Fixed Rate	Contract Amount In Escudos $
Between May 3, 1999 and May 28, 1999	**0.008794**	**52,500,000$**
Between June 1, 1999 and June 30, 1999	**0.008815**	**105,000,000$**
Between July 2, 1999 and July 30, 1999	**0.008855**	**31,500,000$**

As at January 30, 1999, there were $6,458 unrealized net gains on the foreign exchange fixed contract arrangements for Escudos based on a January 30, 1999 exchange rate of $.00885.

As at January 31, 1998, the Company had a foreign exchange collar arrangement in place for committed and anticipated foreign merchandise purchases during the Company's next fiscal year totalling $18,390,500 (U.S.). Under the terms of the collar, the Company bore the exchange risk on foreign merchandise purchases when the Canadian dollar trades against the U.S. dollar within the range of $1.394 ($25,636,357 Cdn., the floor) and $1.465 ($26,942,083 Cdn., the ceiling). As at January 31, 1998, there was no unrealized gain or loss on the foreign exchange collar based on a January 31, 1998 exchange rate of $1.4563 ($26,782,085 Cdn.). During the fiscal year ended January 30, 1999, this collar arrangement caused the Company to spend $1,146,127 less on foreign merchandise purchases than if the arrangements had not been entered into.

As at January 25, 1997, the Company had foreign exchange contracts outstanding for committed and anticipated foreign currency purchases of merchandise during the Company's next fiscal year totalling $15,022,000 (U.S.) $19,878,000 (Cdn.) for an average locked-in exchange rate of $1.32 Canadian for every U.S. dollar. As at January 25, 1997, the unrealized gain on foreign exchange contracts was $380,301 based on a January 25, 1997 exchange rate of $1.35. During the fiscal year ended January 31, 1998, these foreign exchange contracts resulted in the Company spending $948,255 less on foreign merchandise purchases than if the arrangements had not been entered into.

14. CORPORATE AND FRANCHISE SALES

	1997	1998	1999
Company-owned store sales	$ 220,902	$252,016	**$ 283,401**
Mark's franchisee-owned store sales	60,682	62,696	**61,801**
Work World franchisee-owned store sales from effective date of acquisition December 1, 1996	22,172	87,495	**72,266**
	$ 303,756	$402,207	**$ 417,468**

Total corporate and franchise sales have been shown as a separate item at the top of the Consolidated Statement of Earnings and Retained Earnings to illustrate the size of the total business. Only the Company-owned store sales and the franchise royalties earned on franchise-owned store sales, initial franchise fees earned on the sale of franchise stores, other sundry income from franchise operations and Company costs related to franchise operations form part of the Consolidated Statements of Earnings and Retained Earnings.

15. FRANCHISE ROYALTIES AND OTHER

	1997	1998	1999
Royalties from Mark's franchise stores	$ 3,956	$ 4,054	**$ 3,965**
Sundry income from Mark's franchise operations	63	42	**20**
Royalties from Work World franchise stores from effective date of acquisition December 1, 1996	832	3,281	**2,863**
Fees from the sale of Work World franchises	—	79	**15**
Sundry income from Work World franchise operations	130	148	**153**
	$ 4,981	$ 7,604	**$ 7,016**
Number of franchise stores at year end			
Mark's	33	31	**29**
Work World	150	139	**105**
	183	170	**134**

16. U.S. OPERATIONS

The Company decided to end its U.S. test. See Note 20A. The impact of the conclusion of the U.S. test is a $2,961,000 additional charge to pre-tax earnings, 6 cents per share after-tax, in fiscal 1999 and the elimination of operating losses from this test and reduced current assets going forward.

	1997	1998	1999
Sales excluding inter-group	$ 1,410	$ 1,675	**$ 1,665**
Cost of sales	1,010	1,234	**1,134**
Front-line expenses	1,144	1,355	**1,198**
Back-line expenses	149	306	**427**
Operating loss before income taxes	(893)	(1,220)	**(1,094)**
Provisions for closure costs	—	—	**2,961**
Loss before income taxes	(893)	(1,220)	**(4,055)**
Income tax benefit	—	(487)	**(1,780)**
Net loss	$ (893)	$ (733)	**$(2,275)**
Net loss per share	(4)¢	(3)¢	**(8)¢**
Current assets	$ 1,109	$ 1,241	**$ 900**
Capital and other assets	462	170	**—**
Total assets	$ 1,571	$ 1,411	**$ 900**

17. OTHER COSTS

	1997	1998	1999
Cost related to the unsuccessful, unsolicited bid by Dylex Limited to purchase all the outstanding Common Shares of the Company	$ —	$ 416	**$ —**
Work World severance and relocation costs	—	435	**—**
	$ —	$ 851	**$ —**

18. INCOME TAXES

The provision for income taxes varies from the amount computed by applying the combined federal and provincial income tax rates as follows:

	1997		1998		1999	
Federal and provincial income taxes	44.6%	$3,704	44.3%	$ 5,491	**43.9%**	**$4,826**
Increase resulting from:						
Losses carried forward, unrecognized	4.8%	396	0.4%	54	**—**	**—**
Other	3.4%	287	2.5%	308	**3.8%**	**418**
Provision for income taxes	52.8%	$4,387	47.2%	$ 5,853	**47.7%**	**$5,244**

Future taxes result from the effect of transactions that are recognized in different periods for financial and tax-reporting purposes. See Note 1M. The major components of the Company's future tax assets and liabilities are as follows:

	1997	1998	1999
Other assets	$ (745)	$ (616)	**$ (851)**
Capital assets	2,039	2,188	**3,750**
Goodwill	78	50	**27**
Deferred gains	304	469	**487**
Future income taxes	$ 1,676	$ 2,091	**$ 3,413**

The Company has an August tax-year end. The Company's U.S. subsidiary has a January tax-year end. Work World has a July tax-year end. Paul John has a January tax-year end. Losses carried forward for tax purposes were as follows:

	1997	1998	1999
Capital losses – Mark's Canada	$ 611	$ 611	**$ 611**
Non-capital loss – U.S. subsidiary	$ 1,318	$ 1,439	**$ 1,439**

19. SEGMENTED INFORMATION

The Company is a specialty retailer of primarily men's apparel and footwear operating in Canada and operated two pilot stores in the U.S. See Notes 16 and 20A. Financial information by operating group is as follows:

	1997	1998	**1999**
Sales and Earnings			
Corporate and franchise sales			
Mark's Canada	$280,333	$ 312,047	**$ 329,023**
Work World Canada	22,172	88,497	**86,866**
Mark's United States	1,555	1,797	**1,865**
Inter-group	(304)	(134)	**(286)**
	$303,756	$ 402,207	**$ 417,468**
Earnings (loss) before interest, taxes, depreciation and amortization			
Mark's Canada	$ 14,825	$ 23,193	**$ 26,104**
Work World Canada	527	(311)	**510**
Mark's United States	(770)	(1,051)	**(915)**
Mark's United States provision for closure costs	—	—	**(2,961)**
	$ 14,582	$ 21,831	**$ 22,738**
Cash Flow relating to capital items			
Capital Expenditures			
Mark's Canada	$ (2,285)	$ (721)	**$ (1,816)**
Work World Canada	(13)	(149)	**(836)**
Mark's United States	(25)	(4)	**(531)**
	$ (2,323)	$ (874)	**$ (3,183)**
Acquisitions of subsidiaries			
Mark's Canada	$ (7,263)	$ —	**$ —**
Work World Canada	—	—	**(2,196)**
Mark's United States	—	—	**—**
	$ (7,263)	$ —	**$ (2,196)**
Purchases of franchise stores			
Mark's Canada	$ (1,312)	$ (507)	**$ (1,814)**
Work World Canada	—	—	**(2,506)**
Mark's United States	—	—	**—**
	$ (1,312)	$ (507)	**$ (4,320)**
Depreciation and amortization excluding goodwill amortization (front-line and back-line)			
Mark's Canada	$ 4,112	$ 6,575	**$ 7,612**
Work World Canada	10	84	**102**
Mark's United States	171	169	**327**
	$ 4,293	$ 6,828	**$ 8,041**
Goodwill amortization			
Mark's Canada	$ 130	$ 267	**$ 277**
Work World Canada	—	—	**59**
Mark's United States	—	—	**—**
	$ 130	$ 267	**$ 336**
Financial Position			
Total assets			
Mark's Canada	$ 85,697	$ 99,080	**$ 119,281**
Goodwill on acquisition of Work World (net of accumulated amortization)	7,111	6,900	**6,689**
Work World Canada	1,967	3,616	**19,887**
Goodwill on acquisition of Paul John (net of accumulated amortization)	—	—	**874**
Mark's United States	1,571	1,411	**900**
Inter-group	(1,524)	(5,390)	**(14,639)**
	$ 94,822	$ 105,617	**$ 132,992**

20. SUBSEQUENT EVENTS

A. On February 18, 1999, the Company announced that during fiscal 2000 it was closing its two pilot stores in the U.S. A provision for closure of the two U.S. pilot stores in the amount of $2,961,000 has been provided. This equates to 6 cents per share. See Note 16.

B. Between January 30, 1999 and March 26, 1999, the Company entered into foreign exchange contracts for committed and anticipated foreign currency purchases of merchandise for the first quarter of the Company's January, 2001 fiscal year totalling $6,100,000 (U.S.) $9,067,040 (Cdn.) for an average locked in rate of $1.4864 (Cdn.) for every U.S. dollar. As at March 26, 1999, the unrealized gain on these foreign exchange contacts was $164,700 based on an March 26, 1999 exchange rate of $1.5134.

C. On March 3, 1999, the Company filed a Notice of Intention to make a Normal Course Issuer Bid for the purchase of up to 5% of its outstanding Common Shares during the period March 5, 1999, to March 4, 2000. Purchases of Common Shares pursuant to the Normal Course Issuer Bid will be affected by a registered investment dealer, on behalf of the Company, through the facilities of The Toronto Stock Exchange. The price paid by the Company for any Common Shares purchased by it will be the market price of the shares at the time of the purchase. The Company intends to fund the purchase of Common Shares pursuant to the Normal Course Issuer Bid from its working capital. During the period March 17, 1999 to March 25, 1999, 34,000 Common Shares were purchased at an average price of $2.96 per Common Share.

21. SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	First	Second	Third	Fourth	**Total**
52 weeks ended January 30, 1999					
Corporate store sales	**$ 48,419**	**$51,686**	**$ 67,336**	**$115,960**	**$ 283,401**
Gross margin percentage	**41.4%**	**39.4%**	**41.6%**	**39.5%**	**40.3%**
Earnings (loss) before income taxes	**$(1,672)**	**$(2,011)**	**$ 2,031**	**$ 12,648**	**$ 10,996**
Net earnings (loss) per Common Share	**(4)¢**	**(4)¢**	**4¢**	**25¢**	**21¢**
Corporate stores at end of quarter	**123**	**126**	**160**	**165**	**165**
53 weeks ended January 31, 1998					
Corporate store sales	$ 39,332	$47,270	$ 63,019	$102,395	$ 252,016
Gross margin percentage	41.3%	38.3%	42.0%	40.3%	40.5%
Earnings (loss) before income taxes	$ (2,433)	$(2,004)	$ 1,681	$ 15,160	$ 12,404
Net earnings (loss) per Common Share	(6)¢	(4)¢	3¢	31¢	24¢
Corporate stores at end of quarter	110	111	115	118	118
52 weeks ended January 25, 1997					
Corporate store sales	$ 35,932	$41,915	$ 51,683	$91,372	$ 220,902
Gross margin percentage	38.0%	36.3%	38.2%	38.7%	38.0%
Earnings (loss) before income taxes	$ (2,156)	$(2,230)	$ 303	$ 12,393	$ 8,310
Net earnings (loss) per Common Share	(6)¢	(5)¢	0¢	27¢	16¢
Corporate stores at end of quarter	107	106	107	108	108

Glossary

GLOSSARY OF TERMS

The following glossary defines terms used throughout this report.

Back-line Expenses: All expenses associated with supporting stores but not directly related to face to face customer contact. These expenses include non-store personnel and administrative expenses.

Base Rent: Rent payable to the landlord prior to paying for Common Area Maintenance (CAM) and property taxes.

Blend: The percentage that results by dividing the sales of a category by the total division's corporate store sales.

Business Objective: A measurable target set for each management employee upon which job evaluation and bonuses are based.

CAM: The Common Area Maintenance cost component of the total rent payable to a landlord.

CAMM: The Canadian Apparel Market Monitor. This organization provides statistical data on the Canadian apparel market. The Company subscribes to the service.

Capital Expenditures: Costs recognized as a portion of long-term assets. These costs relate to the purchase of leasehold improvements, furniture, fixtures, equipment and capital lease purchases.

Captive Label: Labels owned by Mark's or Work World but not associated with the name of the store. These include WindRiver, Denver Hayes, Dakota, Canyon Creek, etc.

College of Retail Excellence: The College of Retail Excellence consists of internal training programs and external courses that help the Company's employees develop new skills and talents to enable them to reach their potential, contribute at their maximum levels, and meet the changing needs and expectations of the Company's customers.

Commodity Business: Basic staple businesses where changes in product styles occur infrequently (i.e. men's work pants).

Conservative Forecast: The lower end of the Company's published forecast range as depicted on page 25, and based upon the assumptions on page 24.

Destination Store: A store that is large enough and dominant enough in its retail location to draw its own customer traffic and is not dependent upon its neighbors. A destination store is typically free-standing, but can be located in a strip mall or power centre.

EBIT: Earnings before interest and income taxes.

EBITDA: Earnings before interest, income taxes and depreciation and amortization: more specifically, sales revenues available after all merchandise costs, front-line and back-line expenses, except for interest, depreciation and amortization and income taxes are subtracted, and the franchise royalties are added.

FMI Canada: This organization provides statistical data on the Canadian footwear market. The Company subscribes to the service.

Franchise Operations: Mark's franchise operating results consist of franchise royalties, initial franchise fees and other sundry income from franchisees minus bad debt provisions on franchise receivables. In addition, deducted from that amount is an estimate of the franchise operation's share of selected back-line expenses based on Mark's franchise sales as a percentage of Mark's total system sales applied to those selected back-line costs and the front-line cost of two district managers. With respect to Work World's franchise operations, the definition is the same except that no allocation of back-line expenses is required at this time, as all costs related to the franchise operations of Work World are specifically identifiable.

Front-line Contribution: Sales revenues available after all merchandise costs and front-line expenses are subtracted.

Front-line Expenses: Expenses incurred from having direct contact with customers, including store personnel, advertising, occupancy, store variable and store other expenses.

Funded Debt: The aggregate of all interest-bearing contracted debt on the Company's balance sheet (currently bank indebtedness, capital lease debt, bank term debt and subordinated debt until February 3, 1997).

Gross Margin: Sales revenues available after all merchandise costs.

Gross Margin Return on Investment (GPROI): A financial ratio comparing a division's or the Company's gross margin dollars to the division's or Company's average inventory at cost. This ratio provides an indication of the division's or Company's inventory efficiency.

Gross Margin Return on Space: A financial ratio comparing a division's or the Company's gross margin dollars to a division's or to the Company's average square feet of selling. This ratio provides an indication of the division's or the Company's space efficiency.

Inventory Turnover: A measure of the level of investment in inventory by a division or the Company, calculated by averaging inventory at retail on hand at the start of the period and at each month end during the period for a division or the Company and dividing that amount into the sales for the period of a division or the Company.

Key Results: One to three challenging, measurable business targets set by individuals that cause hearts to race and palms to sweat.

L'Équipeur: Mark's store name in the province of Quebec, Canada.

Macro: A term used to describe "big picture" or "global" factors.

Mark's: Mark's Work Wearhouse and L'Équipeur divisional operations excluding Work World and Dockers®.

Net Front-line Contribution: Sales revenues available after all merchandise costs and front-line expenses are subtracted and the franchise royalties and other are added.

Occupancy: Base rent plus Common Area Maintenance (CAM) plus property taxes plus business taxes and licenses.

On Concept Store: A Mark's store that: is 8,000 to 15,000 sq. ft. in size; is a destination store; occupies a dominant position in its retail location (preferably free-standing but can be in a strip mall or power centre); has good parking, signing and access; has properly implemented all store anchors; and, leasehold improvements, fixtures, lighting and cleanliness meet current corporate standards.

Optimistic Forecast: The upper end of the Company's published forecast range as depicted on page 25 and based upon the assumptions on page 24.

Performance Contract: A single page document signed by an employee and management that contains the individual's Business Objective and Key Results.

Private Label: A label that uses the store's name, e.g., Mark's jeans or Work World jeans and thus brings an instant association between product and store.

Purchase Markup: The difference between the selling price and landed cost of an item purchased for resale in the Company's stores.

Rent, Other Operating Leases, Computer Services and Interest on Long-term Debt Coverage: A financial ratio comparing the Company's fixed commitments under lease, and long-term agreements and interest-bearing contracted debt obligations to the earnings available to meet them. This ratio is intended to provide a better measure of the inherent risk in the business than is provided by the total liabilities-to-equity ratio, due to the large rent component in a retail company's risk profile and due to the fact that the Company's computer services were outsourced from February 1, 1994 to March 31, 1997.

Rolling Average Funded Debt-to-Equity Ratio: A financial ratio comparing the Company's average funded debt over the most recent 12 months to the Company's average equity over that same most recent 12 months.

Sales and Product Managers: The store people who provide excellent and incomparable service to our customers while managing replenishment and presentation of a variety of products carried in our stores.

Sales Per Resident: Our measure of market penetration calculated by dividing sales from Mark's corporate and franchise stores within a region by the population of that region. Sales from Work World franchise and corporate stores were also used in the "total" calculation commencing in fiscal 1998.

Same-store Sales Increase: A calculation of the sales increase on a comparative basis, derived by comparing sales of two consecutive years, exclusive of all stores opened or closed within that two-year period.

Seasons: The Company breaks the year down into two seasons for operating purposes: Spring - February through July; Fall - August through January.

SKU: The most specific Stock Keeping Unit for our merchandise (i.e. a navy, size 34" waist, 32" leg, wrinkle-resistant pant).

Strategic Plan: The Company's most recent three-year Plan covering the fiscal years ending January 2000, 2001 and 2002.

Total Liabilities: The aggregate of all liabilities, current and long-term, on the Company's balance sheet, including deferred gains.

Total Liabilities-to-Equity Ratio: A financial ratio comparing the Company's total liabilities to shareholders' equity. This ratio provides creditors with some idea of the Company's ability to withstand losses without impairing the interests of creditors.

Total Sales or Total System Sales: Combined sales from Mark's corporate stores, Mark's franchise stores and since December 1, 1996, Work World's franchise stores and Work World's corporate stores.

Work World: Work World Divisional operations excluding Mark's Work Wearhouse.

Y2K: The Year 2000

Eleven-Year Financial Review

(unaudited)

(amounts in thousands of dollars except where indicated)	Jan. 1999
STATEMENT OF EARNINGS	
Total sales	**417,468**
Mark's franchise store retail sales	**61,801**
Work World franchise store retail sales*	**72,266**
Mark's corporate store retail sales***	**268,801**
Work World corporate store retail sales*	**14,600**
Gross Margin	**114,238**
Percent	**40.31%**
Operating expenses	**95,555**
Interest expense	**3,365**
Franchise royalties and other	**7,016**
Depreciation and amortization	**8,377**
Operating earnings (loss) before U.S. closure provision, discontinued operations and income taxes	**13,957**
Provision for closure of U.S. pilot stores	**2,961**
Earnings (loss) from discontinued operations	**0**
Income taxes (recovery)	**5,244**
Net earnings (loss)	**5,752**
STATEMENT OF CASH FLOWS**	
Funds flow (deficiency) from operations	**15,815**
Change in non-cash working capital	**(8,910)**
Investing	**(10,579)**
Financing	**6,035**
Net cash generated (deployed)	**2,361**
FINANCIAL POSITION	
Current assets	**96,360**
Current liabilities	**56,525**
Working capital	**39,835**
Capital assets (net)	**23,531**
Total assets	**132,992**
Long term debt	**22,052**
Shareholders' equity	**53,306**
Average capital employed	**73,972**
SHARE DATA (per Common Share data in dollars)	
Weighted average number of Common Shares outstanding (000s)	**27,475**
Earnings (loss) per Common Share	**0.21**
Funds flow (deficiency) from operations per Common Share	**0.58**
Price/Earnings ratio (year end)	**15.48**
Book value per Common Share (year end)	**1.91**
Market value - high	**5.00**
- low	**2.95**
- year end	**3.25**
Dividends declared	**0**
FINANCIAL RATIOS	
Return on average shareholders' equity	**11.5%**
Return on average capital employed	**19.4%**
Current ratio	**1.70**
Total liabilities to equity ratio	**1.49**
Rent, other operating leases, computer services and interest on long-term debt coverage	**1.47**
STATISTICS	
Mark's Canada corporate stores same-store sales increase (decrease)	**4.8%**
Mark's inventory turnover	**1.9**
Mark's retail square feet (at year end)	**1,125,267**
Mark's sales per square foot****	**251**
Number of Mark's corporate stores end of period	**124**
Number of Work World corporate stores end of period	**41**
Number of Mark's franchise stores end of period	**29**
Number of Work World franchise stores end of period*	**105**
Mark's total staff	**2,206**
Work World total staff*	**306**

* Mark's acquired Work World effective December 1, 1996 and during fiscal 1999, 31 Work World franchise stores were converted to corporate stores.

Jan. 1998	Jan. 1997	Jan. 1996	Jan. 1995	Jan. 1994	Jan. 1993	Jan. 1992	Jan. 1991	Jan. 1990	Jan. 1989
402,207	303,756	262,575	247,768	220,055	190,082	185,694	234,190	214,540	175,212
62,696	60,682	64,313	66,143	61,989	56,629	52,952	55,872	41,904	22,433
87,495	22,172	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
251,014	220,902	198,262	181,625	158,066	133,453	132,742	178,318	172,636	152,779
1,002	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
102,093	83,969	73,481	66,853	58,067	48,390	46,783	55,725	64,064	56,383
40.51%	38.01%	37.06%	36.81%	36.74%	36.26%	35.24%	31.25%	37.11%	36.90%
87,866	74,368	66,589	61,134	55,126	49,449	50,818	63,663	55,199	49,179
2,332	1,849	1,672	1,139	2,186	2,130	2,354	3,310	1,709	2,093
7,604	4,981	4,266	4,299	4,071	3,473	3,438	3,619	2,676	1,415
7,095	4,423	3,112	2,364	3,560	3,030	3,805	3,112	2,335	2,325
12,404	8,310	6,374	6,515	1,266	(2,746)	(6,756)	(10,741)	7,497	4,201
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	(2,564)	128	(44)	(436)
5,853	4,387	3,257	200	0	0	(561)	(4,259)	3,119	1,610
6,551	3,923	3,117	6,315	1,266	(2,746)	(8,759)	(6,354)	4,334	2,155
13,609	7,315	4,860	8,354	6,478	313	(1,157)	(2,894)	6,847	4,690
(19,610)	7,416	(2,716)	(3,735)	360	(7,537)	(14,758)	14,297	(3,460)	5,146
(1,885)	(10,125)	(7,741)	(4,834)	1,418	474	2,361	(4,238)	(2,229)	(2,623)
(3,514)	7,058	274	1,862	(5,435)	10,468	(7.092)	(89)	(563)	(52)
(11,400)	11,664	(5,323)	1,647	2,821	3,718	(20,646)	7,076	595	7,161
75,810	70,377	57,101	56,074	50,173	38,195	44,387	51,268	55,663	39,974
44,397	45,304	34,845	31,217	30,923	23,325	39,991	44,488	41,851	29,067
31,413	25,073	22,256	24,857	19,250	14,870	4,396	6,780	13,812	10,907
20,072	14,608	11,853	7,439	5,590	8,909	8,955	12,306	9,268	8,427
105,617	94,822	72,187	64,541	56,395	47,635	54,528	72,465	72,958	55,945
13,414	11,952	4,025	3,000	3,000	8,166	3,280	8,465	5,218	4,924
46,746	36,884	32,154	28,922	20,745	15,667	10,753	19,512	25,889	21,954
57,858	43,775	34,175	27,924	24,845	20,325	22,572	31,516	30,450	27,075
27,058	24,976	24,515	23,187	22,392	15,794	9,842	9,840	9,963	9,971
0.24	0.16	0.13	0.27	0.06	(0.17)	(0.89)	(0.65)	0.44	0.22
0.50	0.29	0.20	0.36	0.29	0.02	(0.12)	(0.29)	0.69	0.47
15.42	12.31	9.62	6.30	23.33	(4.41)	(1.17)	(1.77)	5.91	5.45
1.71	1.45	1.31	1.19	0.90	0.86	1.07	1.98	2.63	2.17
4.45	2.20	1.85	1.85	1.79	1.40	1.50	2.65	2.80	1.10
1.95	1.10	1.15	1.12	0.74	0.70	0.75	0.90	1.07	0.85
3.70	1.97	1.25	1.70	1.40	0.75	1.04	1.15	2.60	1.20
0	0	0	0	0	0	0	0	0	0
15.7%	11.4%	10.2%	25.4%	7.0%	(20.8%)	(57.9%)	(28.0%).	18.1%	10.3%
25.5%	23.2%	23.5%	27.4%	13.9%	(3.0%)	(30.9%)	(23.2%)	30.1%	21.6%
1.71	1.55	1.64	1.80	1.62	1.64	1.11	1.15	1.33	1.38
1.26	1.57	1.25	1.23	1.72	2.04	4.07	2.71	1.82	1.55
1.58	1.45	1.43	1.51	1.11	0.70	0.35	0.18	1.67	1.43
8.3%	4.2%	1.3%	13.7%	14.6%	3.0%	(18.3%)	(1.0%)	13.1%	5.6%
2.2	2.3	2.1	2.4	2.4	2.3	1.4	2.5	2.9	2.8
1,032,594	927,972	814,977	657,775	600,028	587,881	547,685	547,983	609,317	612,841
253	247	268	289	268	240	242	296	285	251
115	108	103	94	91	91	86	91	104	105
3	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
31	33	38	42	43	45	57	53	42	30
139	150	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2,052	1,826	1,657	1,776	1,419	1,199	1,138	1,290	1,683	1,392
93	34	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

** The statement of cash flows has been restated to exclude non-cash items, primarily capital assets acquired through capital leases in the Company's case, as per Canadian Institute of Chartered Accountants recommendations for cash flow statements.

*** Excludes inter-group sales

****Calculated on stores open and at the same size for an entire season. The Company breaks the year down into two seasons.

Corporate Governance

The following analysis uses definitions contained in the Toronto Stock Exchange Report on Corporate Governance ("Governance Guidelines"). This analysis was adopted by the Board of Directors of the Company on May 10, 1999.

Mark's Work Wearhouse Ltd. is an Alberta corporation. The Alberta Business Corporations Act makes it clear that it is the responsibility of the Board of Directors to manage the business and affairs of the Company. The Board discharges this responsibility by selecting and holding accountable management, to whom the Board delegates operations. Business and affairs, and operations are to be managed in the best interests of the shareholders toward the goal of maximizing the long-term value of the Company to shareholders.

The key governance issues facing the Company's Board relate to seeking the appropriate balance between structures and mechanisms that facilitate management's capacity to manage the business and those that facilitate appropriate stewardship by the Board. The Board recognizes the need for, and encourages management, led by the President and Chief Executive Officer, to make clear and appropriate executive decisions and to be strong leaders. The need is not to rein in management but rather to equip the Board with the capacity to exercise its responsibilities, to be good critics as well as supporters and constructive skeptics. A healthy friendly tension is appropriate.

BOARD OF DIRECTORS:

- The Board consists of eight members, six of whom are unrelated directors and two who are members of management. The directors to be proposed by the Board to the shareholders for election at the June 24, 1999 Annual General and Special Meeting are the existing directors. The Board has expressed its intent to maintain a significant proportion of independent unrelated directors.
- As part of its responsibility for the stewardship of the Company, the Board is responsible for the approval of the Strategic Plan. At Mark's Work Wearhouse, this is accomplished by the Board reviewing and approving management-developed strategic planning methodology and the Strategic Plan. The Board delegates to management the responsibility for tabling with the Board, for discussion purposes, a draft Strategic Plan. The Board's input is incorporated by management and, following an iterative process, the Strategic Plan is adopted by the Board at a subsequent meeting thereof. The Board uses the Strategic Plan as a tool to measure the Company's progress over time.
- The principle risks of the Company's business are outlined under the "Management's Discussion and Analysis of Risks and Uncertainties." The Board as a whole and the Audit Committee of the Board in particular, review these risks, set policy, when appropriate, for the management of these risks, and receive reports from the Company's management on how these risks are being assessed and managed.
- The Board takes responsibility for appointing and monitoring senior management. As part of the human resources component of the Board meeting, the Board regularly has senior management explain its succession plans with respect to the Company's managers and provide comments on support/backup/succession for their own positions. The Board encourages management to participate in appropriate professional and personal development activities, courses and programs, and supports management's commitment to the training and development of all permanent employees. An amount is allocated in the Company's budgets each year for these activities.
- The Board has instructed senior management to develop a clearly articulated policy for effective two-way communications with shareholders, employees, suppliers, other stakeholders and the public in general, including the media. The Board recognizes this to be, except in rare circumstances, solely the province of management and not the Board. The Board believes that the quality of the Company's communication with outsiders is an element to be considered in evaluating management.
- The Board, directly and through its Audit Committee, assesses the integrity of the Company's internal control and management information systems.
- The Company does not have a "significant shareholder", defined by the Governance Guidelines as a shareholder with the ability to exercise a majority of votes for the election of directors.
- No directors are related to each other. The Board has considered the relationship of each outside director to the Company and has concluded that none of the outside directors are related.

Committee	Mandate	Accomplishments 1995-1999
GOVERNANCE COMMITTEE	■ The Governance Committee consists of three outside, unrelated directors. ■ The Committee has the responsibility, among other things, to make recommendations to the Board with respect to the nominees of the Board. Nominees recommended are based on the Governance Committee's assessment of the Board and of the individual directors, reflecting the Board's expertise and needs and being mindful of potential conflicts of interest. ■ The Committee is responsible for the continuing assessment of the Board as a whole and the Audit, Compensation and Governance Committees. ■ The Committee reports periodically on the impact of size upon the effectiveness of the Board of Directors, ensuring that the Board brings together the right mix of skills, backgrounds, ages and attitudes as is appropriate to the stewardship of the Company. ■ The Governance Committee reviews this issue periodically as part of its mandate. ■ The Governance Committee is responsible for developing and monitoring the Company's approach to governance issues and for responding to the Governance Guidelines of The Toronto Stock Exchange. ■ The Committee is responsible for approving the engagement by individual directors of outside advisors at the expense of the Company in appropriate circumstances. Any such engagement is subject to the approval of the Governance Committee and requires senior management to be informed of any such action.	■ In its June 7, 1995 report, the Governance Committee recommended that the Compensation Committee seek a report from an outside expert on Board compensation and then base director compensation on the results of the report. The Committee also strongly recommended that the Company use shares as currency, at least in part, for compensating directors. The Committee has used independent compensation studies in assessing the level of senior executive compensation. In its April 2, 1998 report to the Board, the Compensation Committee addressed senior executive evaluations, senior executive compensation and director compensation. The recommendations of the Compensation Committee, including those for director remuneration, were adopted at the Company's April 2, 1998 Board meeting and include options on Company shares as partial compensation for directors. ■ In December 1995, the Board made a decision to appoint an outside independent director as Chairman of the Board based on the position description for a non-management Chairman completed by the Governance Committee. The non-executive Chairman's responsibilities include ensuring that adequate and proper information is made available to the Board and maintaining good lines of communication between the Board, and the President and Chief Executive Officer and other members of senior management. ■ The Governance Committee completed position descriptions for the Board, the President and Chief Executive Officer, which have been approved by the Board. These position descriptions will be reviewed regularly by the Governance Committee. ■ The Board's relationship with management has been and will continue to be open, two-way communication. The Board listens with respect to management's recommendations on issues and generally, but not always, accepts them. Management, when appropriate, brings issues of both strategic importance and tactical significance to the Board for input and direction prior to formulating recommendations. ■ The Governance Committee has recommended and the Board has approved that adequate time be allocated in the Board agenda at each of the March and October Board meetings for the outside directors to meet without management present.* ■ The Governance Committee, in its April 6, 1999 report to the Board, assessed the Board as effective in discharging its statutory and fiduciary obligations. The report also assessed the Audit, Compensation, and Governance Committees as effective in the discharge of their duties. ■ The Governance Committee has also considered the size of the Board with a view to the impact of size upon effectiveness. In its April 6, 1999 report to the Board, it concluded that the number of directors in the range as presently constituted is appropriate for a company of the size and complexity of Mark's Work Wearhouse. ■ The Board, on the recommendation of the Governance Committee, struck a three-member committee that assessed the effectiveness of each individual director. This committee found that each nominee for director ably discharges their role and responsibilities as a director and adds value to the governance of the Company. ■ At the request of the Governance Committee, the Company developed an orientation package for new Board members. An added benefit of the development of this orientation package is that a more comprehensive information package is now available for all Board members.
COMPENSATION COMMITTEE	■ The Compensation Committee consists of three outside, unrelated directors. ■ The Committee is responsible for conducting independent studies utilized in the preparation of recommendations concerning compensation for Company directors and senior executives.	■ In its April 6, 1999 report to the Board, the Compensation Committee addressed senior executive compensation and director compensation. ■ The recommendations of the Compensation Committee were adopted at the Company's April 6, 1999, Board meeting and include options on Company shares as partial compensation for directors. ■ During the past fiscal year, the Compensation Committee reviewed the compensation and performance of the President and Chief Executive Officer, and Chief Financial Officer. ■ The Board annually approves the Business Objectives and Key Results for which the President and Chief Executive Officer is responsible and accountable. The Business Objective and Key Results for fiscal 2000 and a review of the results for fiscal '99 are published in the annual report.
AUDIT COMMITTEE	■ The Audit Committee comprises three outside, unrelated directors. ■ The Committee is responsible for assessing the integrity of the Company's internal control and management information systems. ■ The Audit Committee meets with senior management and the independent auditors twice a year to discuss and review these matters, and then reports its findings to the Board of Directors. ■ The roles and responsibilities of the Audit Committee have been defined and include responsibility for overseeing management reporting on internal control and management information systems, compliance with the Company's Code of Conduct, and the normal statutory responsibilities. ■ The Audit Committee has direct communication channels with the Company's independent auditors and regularly meets with the auditors without management present. ■ The Company has no formal internal audit process at this time, a decision reviewed periodically by the Audit Committee and with which the Audit Committee and the independent auditors concur.	■ The Audit Committee meets regularly with management and the external auditors to review the annual audited financial statements of the Company, the auditors' report thereon and Management's Discussion and Analysis included in the Company's annual report. The Audit Committee then recommends to the Board the approval of the annual audited financial statements. ■ The Audit Committee meets regularly with the external auditors without management present. ■ The Audit Committee has reviewed a special report on internal control prepared by the external auditors in 1996 and receives regular updates from the external auditors, while monitoring implementation. ■ The Audit Committee annually reviews the Information Circular and the Annual Information Form of the Company. ■ The Audit Committee meets regularly with management to discuss and approve any new accounting or financial policies, including foreign currency and interest rate hedging policies. ■ The Audit Committee has reviewed annually all material provisions requiring management's judgement and best estimates.

* These sessions have as agenda items at least the following: (i) evaluation of senior management; (ii) assessment of overall corporate progress and progress against the Strategic Plan; (iii) assessment of overall management capability, strength and depth; (iv) succession planning; (v) Board governance matters; and (vi) issues on the minds of outside directors. The Board has met on several occasions this past year without management present. As a matter of policy, copies of minutes of all Committee meetings, including Governance Committee meetings and Board meetings without management, are circulated to all Board members.